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Foreign Agriculture

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Mexican Strawberry Industry Strong Despite Problems

By L. P. Bill Emerson, Jr.

The Mexican strawberry industry has well developed roots, berries having been grown in Mexico for over 100 years. Production declined sharply in the 1970's, but indications are that future output will rebound to levels at least as high as in the late 1960's, provided growers achieve higher yields—a long-term prospect that seems likely.

However, weather and salt-accumulation problems continue to plague growers in some areas and may make it difficult for country-wide production to match the 1968/69 record of 130,000 tons. However, the timing of the Mexican crop—reaching its stride before the U.S. main crop comes in—gives Mexico a strong market for much of its output, although growing California outturn could reduce shipments to the United States.

Over half of Mexico's strawberry crop is exported, either in fresh or processed form. Since the United States is by far Mexico's largest export market, fresh and processed production in Mexico is of significant importance to the

marketing of U.S. strawberries.

Mexican berries strongly influence the U.S. market during the winter and spring before the main California crop is harvested. During calendar 1977, Mexican exports of fresh and processed strawberries reached \$28 million—the fifth largest Mexican agricultural export to the United States, following coffee, tomatoes, livestock, and beef.

Fresh strawberry exports from Mexico to the United States began sporadically after World War II, but shipments did not start on a regular basis until after 1958. Although fresh exports are not as large as processed exports, they account for about half of the U.S. winter marketings. During 1976/77, U.S. imports from Mexico amounted to 11,910 tons, valued at \$6 million.

Processed or frozen strawberry exports from Mexico usually account for 30-45 percent of annual U.S. consumption. Mexico supplies roughly 90 percent of U.S. frozen strawberry imports and is the principal supplier of the small-sized frozen berries to the U.S. institutional market. During 1977 Mexico shipped 39,000 tons of frozen berries to the United States,

valued at \$22 million.

The majority of Mexico's strawberry production for exports is in frozen form, while roughly one-third is in fresh form. Only top-quality fresh berries are shipped abroad. Large markets for fresh and frozen Mexican berries include Chicago, New Orleans, Houston, New York, Boston, and Philadelphia. Frozen berries are used in the manufacture of ice cream, preserves, and bakery products.

Over three-fourths of Mexico's frozen berry exports to the United States or Canada are shipped in refrigerated trucks, although some are shipped by rail. Frozen exports for Japan and other Asian markets are sent principally by refrigerated ships out of the west coast port of Mazatlan. Exports of frozen berries to Western Europe go by refrigerated ships from Matamoros, an east coast port. Minor quantities are airshipped to Japan and Western Europe.

Exports for Canada or the United States go through entry points along the Texas border, principally Laredo (Nuevo Laredo), Brownsville (Matamoros) and Hidalgo (Ciudad Reynosa).

U.S. imports of frozen strawberries have diminished in recent years, a result of reduced Mexican output and increased U.S. production. Mexican production and exports dropped sharply after the last large crop in 1973/74. During that period, U.S. production reached a record high each year, because of California's expanding output.

Although Mexican growers continue to complain of difficulties inherent in the marketing of strawberries, it appears the industry will endure and eventually ex-

pand. Poor management and other factors may result in the demise of some producers, but total supply is expected to increase substantially in the long term. The potential for increased domestic consumption is good.

Production of Mexican strawberries in 1977/78 is down substantially from the previous year's as a consequence of untimely rains and cool, cloudy weather, which resulted in poor fruit setting. Yields dropped by about one-fifth from the preceding year's. Despite a moderate expansion in planted area, the yield drop cut production 11 percent, which amounted to just 83,000 metric tons.

Estimates for 1977/78's frozen-pack output were slashed from 50,000 tons at the start of the season to the current 30,000 tons.

Virtually all of Mexico's commercial strawberry production takes place within the Bajío. The Bajío is an extensive valley stretching across most of Guanajuato and Michoacan States. The lowland extends from the cities of Leon on the north, to Apatzingan on the south, and from Zamora on the west, to Queretaro on the east.

Strawberry production is mostly concentrated around Zamora in Michoacan State and Irapuato in Guanajuato. There are within the Bajío many small valleys ranging in altitude from 1,500-2,500 meters above sea level where strawberries are grown. They are grown at about 1,520 meters near Zamora and 1,700 meters around Irapuato.

The weather is favorable for strawberry production only during the dry season—from September to June. Heavy production occurs usually from February to June, although late frosts

The author is an agricultural economist, Fruit and Vegetable Division, Foreign Commodity Analysis, FAS.



Clockwise from top, left: Workers harvesting strawberries grown on a four-row raised bed; berries are gathered in buckets and workers are paid by the number filled; women packing frozen strawberries in 30-pound cans; interior of packing plant; workers decapping and sorting berries for processing. Large quantities of Mexican strawberries are exported to the United States.

in February and March can delay the harvest. With the arrival of the rainy season—generally from June to September—strawberry production comes to an end.

During February and March, there is a continual dry wind from the west, which sometimes ushers in unusual weather, including freezes. Mexicans have an expression for this weather phenomenon: "Febrero es loco, marzo un poco. (February is crazy, March a little (crazy))."

Several crops compete with strawberries, such as wheat, corn, tomatoes, and onions. Most strawberries are grown on small farms which average about 15-20 hectares for all crops. Strawberries are generally replanted each year during late July, August, and early September, and harvested as late as June.

The majority of Mexico's strawberries are grown on a 3-5 year rotational cycle to lessen the incidence of diseases, although more specialized growers may

replant the same area every year, using soil fumigants to combat diseases and pests.

Plant varieties are usually imported from California, although local "viveros" (nurseries) also produce plant-stock for growers. Using the "mother-daughter" system of propagation, viveros plant about 20,000 mother plants per hectare in January and February which, in turn, produce about 500,000 daughter plants per hectare in May and June.

Practically all planting is done by hand. A double-row system of planting on raised beds is the most common. Some growers use the four-row system in order to increase plant population and boost yields. In either system, all runners are pruned. Few growers still practice either the single-row or the matted-row systems.

While rivers are the major source of strawberry irrigation water, many growers pump water from deep wells or from small reservoirs which accumulate surface water during the rainy season. Irrigation water is gravity fed to the fields and then passed through smaller irrigation ditches and furrows throughout the fields.

Fields are watered by furrow irrigation every 6-10 days during the dry season. More specialized growers use drip irrigation systems with plastic hoses, watering either on top of the plants or 2-6 centimeters (cm) under each plant row. Drip irrigation is used more frequently on the larger, more efficient farms, where growers follow other high-cost practices to obtain high yields.

Whether farmers change from furrow to drip irrigation depends on the local cost of water and its availability. Since water is not as scarce or as expensive as it is in California, most Mexican growers now use furrow irrigation.

Fertilizers are used extensively on the heavy clay soils of the Bajio. Growers use up to 900 kilograms (kg) per hectare. A ton of fertilizer costs about US\$400.

The first application is usually made in slots dug 3-10 cm under each plant before the strawberries are planted, or beneath a newly prepared row. After the

initial application there are customarily two or three additional sidedressings, made at the growers' discretion. Ammonia sulfate in several strengths and urea are used extensively by growers.

If barnyard manure is available, it is worked into the soil to fertilize and to make the land more friable. Some growers add urea to irrigation water and also lime the soil when preparing it for planting.

The earliest production is mostly for the fresh market, principally supplied from Michoacan. Harvesting of fresh strawberries for export generally ceases in April when California's crop comes onto the market in large volume.

Roughly half of Mexico's total crop is frozen. Freshly picked strawberries are delivered daily to the processing plant. Berries are weighed and sampled to determine waste and the amount of green berries at the time of delivery.

Women decap the berries at the head of the processing line, which usually consists of washers, cleaning tables, a grading machine, and conveyor belts. The berries are selected while on the conveyor and then packed into cans. In some plants, the processing line also includes a mechanical slicer and a puree machine.

Most freezers water-flume berries into a washer. After being rinsed, the berries are sized: Medium, 1.6 cm in diameter and larger; small, 1.0-1.6 cm; and extra-small—below 1.0 cm. The two larger sizes are frozen as whole or sliced berries, while the undersized, overripe, or green berries are mashed and frozen. Large-sized berries are generally selected for the individual quick-frozen or the fresh markets. □

World Sugar Prices Continue To Slump; U.S. Still Only Provisional ISA Member

Successive surplus world sugar harvests since 1974/75 have caused world sugar prices to plummet from a record 64 cents per pound less than 4 years ago to the current level of just over 6 cents.

Although the drop in sugar prices in the past few years has been relatively steady, usually some potential market stabilizing force has moderated or temporarily reversed the decline. However, currently this is not the case—the value of futures contracts hardly reflects the impact of inflation on the dollar.

For example, the New York Coffee and Sugar Exchange world futures contract for September 1978 closed at 6.16 cents per pound on July 18, while the same contract for September 1979 closed at 7.43 cents.

For the short term, there does not seem to be any relief in sight for the sugar industry.

The current estimate for sugar output in 1977/78 is 90.7 million metric tons (raw value)—approximately 4.9 million tons higher than anticipated world sugar consumption.

Stocks at the end of this crop year (August 31) are

forecast to be nearly 29 million tons, equivalent to 33 percent of annual needs and the highest stock consumption ratio since the end of the 1968/69 crop year. At the end of the 1973/74 season, stocks represented only 18 percent of consumption.

Assuming normal weather conditions in the world's major sugar producing areas, output in 1978/79 may be slightly below that of the current year. While consumption will be up somewhat, it is unlikely that there will be any substantial decline in stocks.

The International Sugar Agreement (ISA) that became effective provisionally on January 1 was negotiated at a time when sugar prices were declining in the face of stock buildups. The Agreement aims at stabilizing world sugar prices within a range of 11-12 cents per pound.

The primary mechanism for defending the lower end of the price range is that of export quotas. It was envisioned that quotas would be adjusted upward or downward to influence the market price. Quotas were reduced to the lowest allowable level in April, but market prices did not respond by moving upward.

Contributing to the depressed state of world sugar prices has been the sugar policy of the European Community. While

the EC participated in the negotiation of the ISA, it has not joined it because of an inability to accept the export quota mechanism. On the other hand, the EC has stated its willingness to negotiate its accession to the Agreement.

Meanwhile, however, the Community has shipped a record amount of sugar; most of it has been white or refined sugar sold at prices that have not reflected the traditional monetary margin between the value of raw and refined sugar. The quantity of EC sugar placed in world trade, as well as the lack of the normal refining premium, has influenced the market price for raw sugar.

Another important factor in the current sugar price picture is the U.S. position vis-a-vis the Agreement. The United States signed the ISA in December 1977 and is currently a provisional member. Since the ISA is considered to be a treaty, complete membership hinges on approval by the Senate.

There is action in Congress to link ISA ratification to new domestic sugar legislation. Several sugar bills have been introduced.

Without ratification of U.S. participation in the ISA, the United States lacks the authority to implement several key elements of the Agreement. At present, there is no authority to limit imports from Agreement nonmembers and to allow for the policing of the payment of the stock financing fee.

This latter feature of the Agreement was to become effective on July 1; however, the date was postponed until October 1 because of the situation in the United States and in some other Agreement participants. □

By Robert M. McConnell, Acting Branch Chief, Commodity Analysis, Horticultural and Tropical Products Division, FAS.

U.S. Gears Up To Fight Lingering Transport Snarl

By Donald E. Johnson

The transportation tieup that has plagued U.S. shippers this year eased recently as emergency programs set up to deal with the crisis began to make an impact and problems encountered earlier abated. But a tough test lies ahead as crops now being harvested move into the export pipeline.

Commodity complex, port of Duluth.



As the worst commodity transportation crisis in U.S. history moves into its second semester, the U.S. trade is making a Herculean effort to ensure speedy marketing of the 1978 crops now being harvested.

Private carriers, Government agencies, and trade associations have taken emergency measures to relieve the transport shortages and port congestion that have snarled U.S. shipping throughout 1978.

New rail cars have been ordered—both by the railroads and private operators—and should be moving into use soon. Some of the less congested ports on the Pacific coast and Great Lakes have begun to handle more of the export trade, taking pressure off busy Gulf ports, which since 1970 have handled over 60 percent of annual U.S. grain exports. And no longer are carriers being plagued by the multiplicity of weather-related problems that slowed trade last winter.

The ultimate test—ability to deliver products to foreign customers—also has been met. U.S. grain exports set a near record of 81 million metric tons in the

July-June year just ended, and total U.S. farm exports in fiscal 1978 (October-September) are heading for a new high of 116 million tons or more.

However, most sources say that transportation difficulties will continue through 1978.

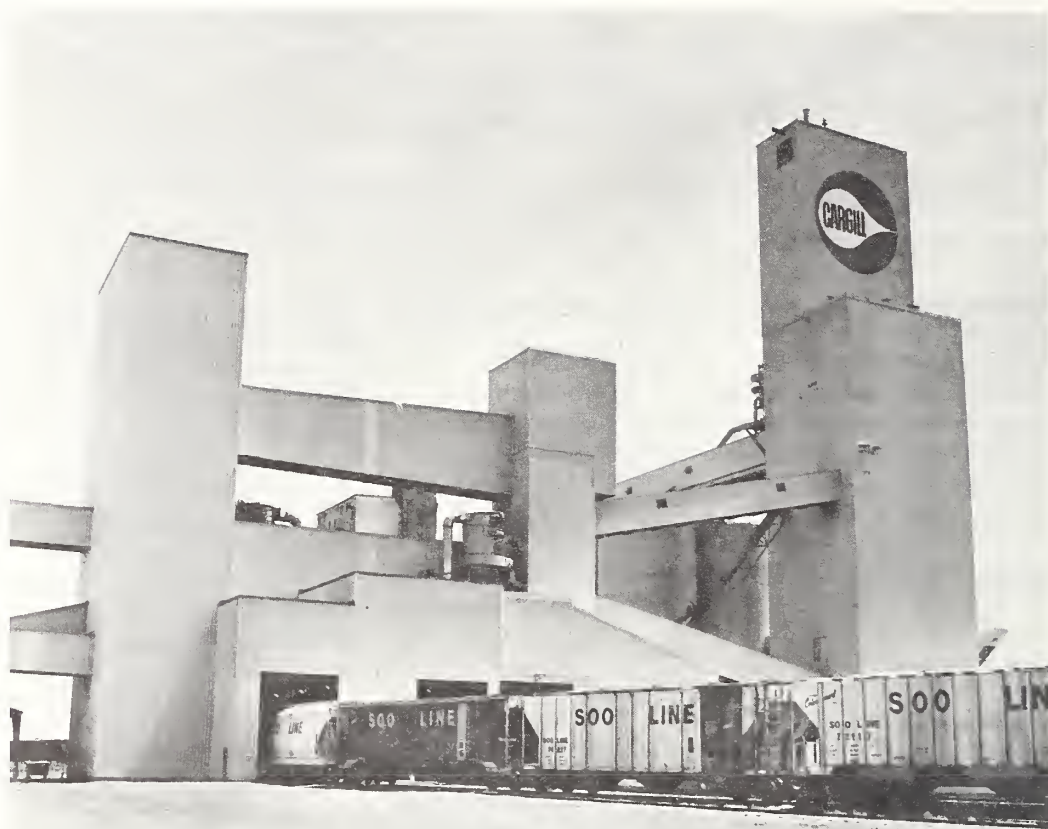
Demand for transportation certainly will remain heavy during the summer and into the fall, as backlogged orders for railcar service coincide with harvests of 1978 crops. These harvests began in June with the Texas, Oklahoma, Kansas, and Nebraska crops of winter wheat and will continue until the last of the corn is picked in November.

Furthermore, little letup is in sight for foreign buying, since the United States is the only country in the world with sizable stocks of uncommitted grain—some 77 million tons as of July 1, or more than twice the level of 2 years earlier. Additionally, Canada—the second largest grain exporter next to the United States—is ensnarled in a transportation crisis of its own, while some leading U.S. competitors and markets have suffered major grain and oilseed shortfalls this year.

In many ways, today's crunch is reminiscent of that in 1972/73, when record grain sales to the USSR and delays in getting those shipments underway placed tremendous pressure on U.S. carriers, sparking the first major transportation crisis in recent years.

The author is an agricultural marketing specialist with Commodity Analysis Branch, Grain and Feed Division, Foreign Agricultural Service. U.S. railroad statistics were supplied by John C. Crowdus, traffic manager, Agricultural Marketing Service.

The flow of commodities from interior points has been aided by these two new rail facilities at Minneapolis that can handle 10 to 12 hopper cars per hour. Photos in this article and on cover courtesy Cargill, Inc.



Today, there are again rail and barge shortages, overflowing farmer grain elevators, higher differences than normal in farm and terminal elevator prices, shipper detention charges by the Interstate Commerce Commission (ICC), and other signs of disequilibrium.

Such tieups have caused additional hardships for U.S. farmers, who held back on selling last fall when commodity prices were low and recently have tried to capitalize on rising world prices. Unfortunately, their rush to sell caused even greater congestion in the system in some instances and depressed prices at the farm level as increased handling and transportation costs reduced the farmer's net price.

For example, on April 15, 1978, the average farm price in Kansas for Hard Winter wheat was \$2.73 versus \$3.67 f.o.b. offered

at the Gulf for No. 2 Hard Winter ordinary protein wheat. This compares with a Kansas farm price on the same date in 1977 of \$2.14 per bushel and a Gulf export price of \$2.90.

As in 1972/73, much of the difficulty has revolved around rail transport of grain and other bulk commodities, since railroads move close to two-thirds of such products. But barge, Great Lakes, and ocean shipping also has been affected, as evidenced by the sharp increase this year in barge rates, grain transfer charges, and demurrage.

What Went Wrong

At one time, the standard indicator of trouble ahead was a jump in weekly loadings of grain railcars to 30,000 or more. This year, however, the rules of the game have changed.

According to the Association of American Railroads (AAR), grain car loadings averaged only 22,470

per week in the first 14 weeks of 1978, or some 6 percent below those at the same time in 1977. Recently, loadings have picked up sharply, and the AAR reports that the railroads handled nearly 30 percent more grain in the 5-week period ending June 17 than in the same periods of the 3 previous years. But that recent average of 27,195 carloads per week still was well under the 35,000 handled at times during 1972/73.

Part of the problem lies in the fact that other segments of the economy have discovered the versatility of covered hopper cars. Normally the transport for over three-fourths of U.S. grain shipments, these cars are often allocated to other commodities that will bring higher profits. When a railroad can get \$4,000 a car for carrying soda ash, versus \$3,000 for grain, it is the soda ash that is shipped.

Moreover, the heaviest

commodity shipping this season was forced into a time period when equipment usually is released for other uses. For instance, large shipments of fertilizers were being made to meet spring planting requirements, and coal deliveries were accelerated far beyond normal levels following settlement of the coal strike on March 27.

Consequently, this year only about a fifth of the covered hopper car fleet has been used for grain movement, compared with around 80 percent a few years ago.

Efforts are being made to expand the hopper car supply, but even these have been frustrated. In some cases, existing trackage has been unable to handle the larger, heavier cars now coming on stream, necessitating extensive track repairs before the cars can be used. And a strike from September 1, 1977, to mid-April 1978, at

the main railroad car manufacturing plant kept hopper car numbers as of April some 2,000 below what they might have been.

Such difficulties were exacerbated by some highly unusual circumstances during the past year—ranging from the longshoremen's (International Longshoremen's Association) and coal strikes, to transport tieups and equipment damage resulting from severe winter weather, to explosions at two major grain elevators in the Gulf.

Certainly there was little indication at the beginning of the harvest season last year that a transportation problem was imminent. According to AAR reports, rail activity then was at a low ebb, with some 13,000 grain rail cars in surplus. And throughout the harvest, activity was extremely slow, with farmers continuing to hold crops off the market in hope of higher prices.

Rail car loadings of grain for all of 1977 averaged only 24,037 cars per week, compared with over 38,000 cars a week handled in one flush period of 1973. Covered hopper cars accounted for some 80 percent of these car loadings last year—and 87 percent of the volume—while many of the 80,000-odd boxcars remained idle during most of last season, according to the AAR.

This languid situation continued into November 1977, when complications began to develop.

About that time, demand for carriers' equipment also had begun to turn around. During mid-November and December, large grain sales made to the USSR, Far East markets, and elsewhere prompted a 22 percent jump in grain railcar loading over year-earlier levels. In contrast, loadings during October through

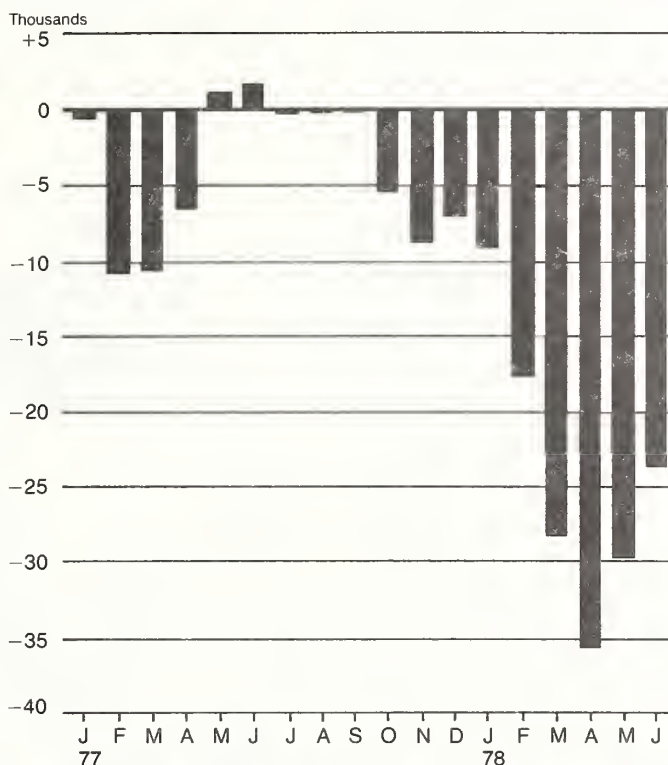
mid-November had been 12 percent below the previous year's. Demand for rail cars traditionally is high during this active harvest period.

Grain shipping continued to accelerate throughout the winter. Inspection of grain for export during January-June 1978 rose in most areas over that of the similar 1977 period. These inspections (in millions of bu) show: Pacific ports, 260.3 (versus 151.9 in January-May 1977); Lakes, 56.4 (56.9); Atlantic, 241.3 (198.7); Gulf, 911.2 (773.4).

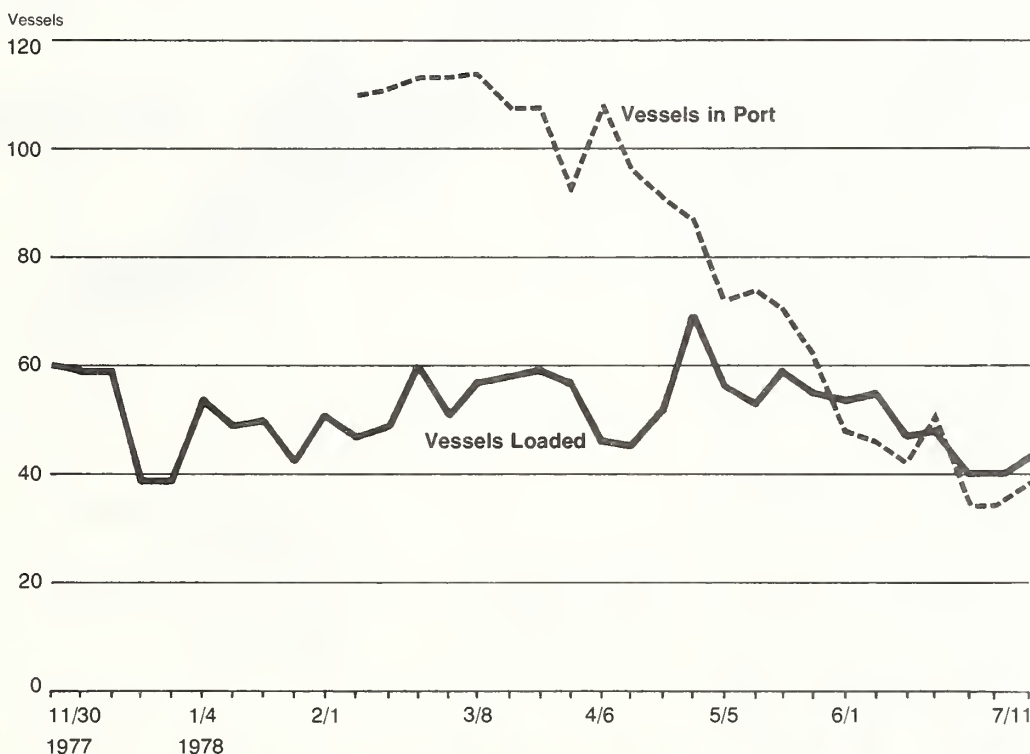
Reflecting this pickup, wheat exports in the first 5 months of 1978 ran 26 percent ahead of those in the same period a year earlier, and corn exports gained 13.5 percent

By the end of 1977/78 (July-June), 81 million tons of grain had been exported, compared with 75.8 million in 1976/77 and the previous

Average Daily U.S. Shortages of Covered Hopper Cars by Month, 1977-78



Weekly Ocean Vessel Loadings and Vessels in Port at U.S. Gulf and Mississippi River Ports, November 30, 1977 to July 11, 1978



peak of 81.4 million in 1975/76.

Coinciding with the spurt in demand were explosions at the Continental Grain elevator in New Orleans on December 22, 1977, and the Farmers' Export Company elevator in Galveston on December 27. These explosions contributed to a 10.5 percent drop in storage at export terminals last year.

The disasters also necessitated massive transfers of grain to other elevators plus rerouting of shipments that were already on the way to the two elevators. As a result, Texas ports became highly congested during January, and several port embargoes—under which additional movement of grain into terminal elevators is banned—were put into force.

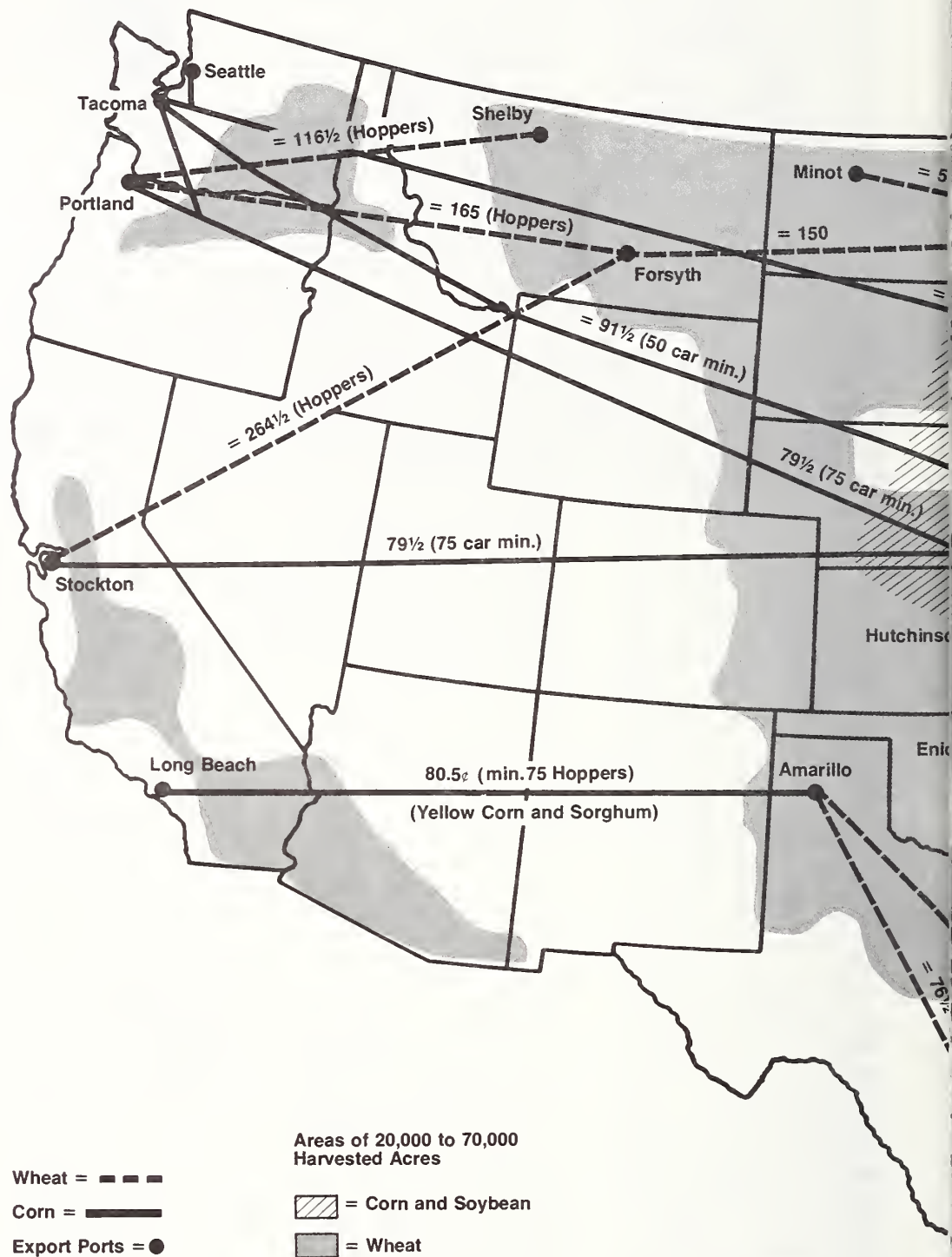
At the same time, the rate of inspection of grain for export was affected by the more stringent safety procedures adopted by grain and safety inspectors.

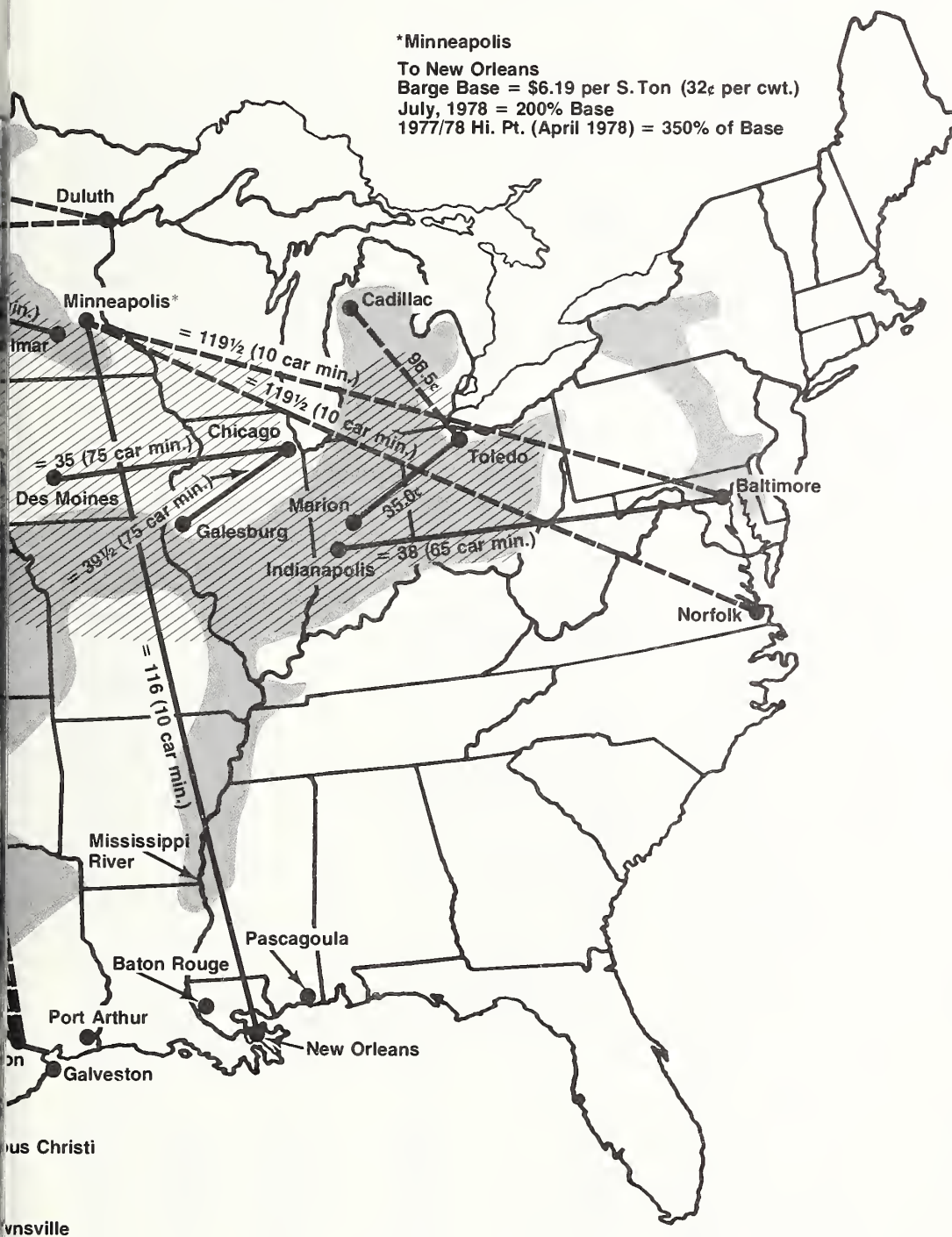
Meanwhile, one of the worst winters on record was brewing up a spate of trouble for all forms of transportation.

During the first 2 weeks of December, shipping on the Great Lakes and upper Mississippi was slowed by the early onset of cold weather. Ice on the upper Mississippi, and Missouri Rivers stopped barge shipments in some spots from the first of December to mid-April and on the Illinois and Ohio Rivers from the last of January to mid-March. In some cases, reopening of these waterways was 1-2 weeks beyond the normal date.

Locks 26 and 27 on the Mississippi were additional sources of trouble. Lock 27 (just above St. Louis)—which handles all Illinois and upper Mississippi River barges—was out for repair early in the spring, and an

Wheat and Corn for Export with Major Producing Areas and Lowest Railroad Rates to U.S. Ports (Cents Per CWT.)





auxiliary lock had to be used. Lock 26 at Alton, the oldest lock in the upper Mississippi lock and dam system, was a congestion point throughout the spring.

Moreover, lowering of high spring flood waters left large silt deposits in some spots in the upper Mississippi.

For the railroads, the cold, snowy weather led to multiple tieups, particularly in the Eastern United States and the upper Midwest. Heavy snows plugged railroad switches and shorted out electric motors of locomotives. Hopper and box cars thus stranded were prevented from returning to major distribution points for additional loadings. And cold weather caused metal to become brittle, contributing further to equipment breakdowns at a time when getting repair work done was exceedingly difficult.

By April 1978, these problems had created a massive traffic jam and pushed U.S. producers' shipping costs far above normal levels. Boxcar supply for the movement of cotton was some 2 months in arrears, the fertilizer industry was reporting as many as 2,000 cars short per week, and the grain trade was encountering major transportation problems throughout the producing area.

Average daily shortages of covered hopper cars for grain by this time were over 35,000—more than 2½ times peak shortages of 1972/73.

Ports were reporting backups of ocean vessels waiting to load. By late March and early April over 100 vessels a week were waiting at Gulf ports. And barge rates—good indicators of demand since they are unregulated as opposed to the fixed rail rates—reportedly jumped 220 percent at the opening of the

upper Mississippi in April over 1977 rates in response to heavy demand.

Concurrently, fees charged at the port to transfer grain from rail cars through elevators and into ships were soaring to their yearly highs. By April 3, Gulf transfer charges for wheat and corn each had hit 22 cents per bushel, compared with 4 and 8 cents, respectively, on August 3, 1977.

The Response

In reaction to the crisis, numerous efforts have been made to pinpoint especially acute problems and equalize the flow of trade. These actions have included:

- A number of Car Assistance and Car Relocation Directives by the AAR, whereby cars are moved to areas of greatest need;
- Issuance by the ICC of

numerous Car Service Orders aimed at speeding up the car turnaround time;

- Operation of a "hot line" desk in USDA's Agricultural Marketing Service to collect and study information supplied by shippers and forward it daily to the ICC.

• Senate Agriculture Committee approval of a bill directing USDA investigations of how the current railcar shortage came about, what could be done to ease it, and how to prevent future shortages.

The ICC and AAR programs will lead to faster turnaround of railroad grain cars, which normally lie idle in railroad yards some 60 percent of the time.

The railroads also are upgrading trackage to handle heavier hopper cars. And traffic has evened out as more ports and car-

riers have increased their grain handling. Some examples:

- Reduced unit train rates put into effect last year for corn and sorghum have made shipping out of some Pacific Northwest ports an attractive alternative to shipping via the Gulf for U.S. grain farmers in the Midwest.

Grain inspections for export show 8.1 million bushels of corn inspected for export from Puget Sound ports during January-May 1978, compared with none in the same period of 1977.

- Great Lakes ports are handling more wheat, corn, soybeans, barley, and oats from Midwestern States as a result of good rail and

truck rates and large loading capacities at ports such as Superior and Duluth. All told, the Great Lakes handled 41 percent more grain-hauling ocean vessels during April and May than in the 1977 period.

- Shippers are making use of trucks, barges, and combinations of the two that in many cases are less costly and faster than traditional means.

The Minneapolis Grain Exchange records show that in January-May 1978 trucks moved 100 million bushels into the Minneapolis-Duluth market, compared with 76.4 million during the same period last year.

Barge movement out of

Continued on page 16

U.S. Grain Transportation Data, Mid-May Through Early July, 1977-78

Week ending	1978	Compa- rable week, 1977
Rail carloadings:		
	Units	Units
May 20	26,884	19,385
May 27	26,131	20,485
June 3	25,101	16,909
June 10	28,739	25,715
June 17	29,117	25,175
June 24	30,406	22,185
July 1	30,412	24,984
July 8	29,434	23,099
July 15	29,398	25,861
Barge loadings:		
	1,000 bu.	1,000 bu.
May 19	35,695	33,254
May 26	38,057	28,990
June 2	26,410	24,134
June 9	40,751	31,383
June 16	38,088	27,368
June 23	34,607	31,074
June 30	29,577	28,195
July 7	29,271	25,920
July 14	25,393	29,904
Inspections for export:		
	1,000 bu.	1,000 bu.
May 26	93,705	56,761
June 2	86,536	57,541
June 9	95,002	58,990
June 16	90,440	55,491
June 23	94,696	52,899
June 30	98,985	59,250
July 7	70,135	42,119
July 14	82,456	61,681
July 21	78,871	65,439

Source: Association of American Railroads.

U.S. Wheat and Corn Export Movements in Current Marketing Year¹

Item	Wheat 1,000 metric tons	Corn 1,000 metric tons
Cumulative exports in current marketing year ²	1,981	34,343
Outstanding export sales	7,127	10,055
Export projection for year:		
High	35,400	44,450
Low	27,200	44,450
Remainder to move:		
High	33,419	10,107
Low	25,219	10,107
Average moved per week this marketing year ²	660	904
Implied rate for remaining weeks:		
High	682	721
Low	515	721
Percent of projected exports already moved:	Percent	Percent
High	7.8	77.3
Low	7.3	77.3

¹ Marketing years begin in June for wheat and October for feedgrains.

² Through June 25, 1978. Based upon U.S. exports sales July 6, 1978.

Daily Average of U.S. Grain Car Surpluses or Shortages on a Weekly Basis, May-Early July 1977-78

Week ending	1978		1977	
	Boxcar	Covered hopper	Boxcar	Covered hopper
May 6	-6,384	-31,991	3,946	-996
May 13	-6,397	-31,283	5,284	627
May 20	-5,513	-28,343	5,940	1,955
May 27	-5,349	-28,322	7,811	2,577
June 3	-5,097	-25,906	8,448	4,002
June 10	-5,078	-27,260	8,238	2,020
June 17	-5,256	-26,609	8,595	386
June 24	-4,636	-23,840	8,302	705
July 1	-4,037	-20,202	7,912	1,486
July 8	-3,223	-13,618	6,318	-32

Source: Association of American Railroads.

Tokyo Round Tariff Negotiations Assessed

By John F. Hudson

Following a series of intensive trade discussions, a "Statement by Several Delegations on Current Status of Tokyo Round Negotiations," was released in Geneva on July 13, 1978. The statement assesses the progress to date in the Multilateral Trade Negotiations. In general, it concludes that there is "a framework of understanding" of the elements necessary to ensure a successful conclusion of negotiations, and there is agreement to work toward that end. The statement is broadly supported by the delegations of most developed countries. The developing countries did not participate in the drafting and therefore did not associate themselves with the statement at this time. Nevertheless, their concerns are addressed and will be further incorporated into the negotiations this fall.

Agriculture is confirmed as a key sector for which important benefits must be obtained in the Multilateral Trade Negotiations (MTN's). In a joint statement issued in Geneva on July 13 by several of the major trading countries, it was made clear that "a positive result in agriculture is critical to the successful completion of negotiations in the Tokyo Round" and it was asserted that "there is a sound basis to proceed to the final development of a significant package during the weeks ahead."

While much remains to be done, progress has been made on several agricultural commodity agreements, on general codes or rules governing both industrial and agricultural trade, and on the removal or reduction of specific

trade barriers faced by United States exports. Work in each of these areas will resume in Geneva early in the fall with a view to completion of a package for submission to Congress by the end of the year.

(At the recent economic summit in Bonn, President Carter called for the successful conclusion of the Tokyo Round of negotiations by December 15, 1978.)

With respect to commodity agreements, the joint statement notes that:

- Negotiations are continuing on wheat, coarse grains, dairy products, and meat.

- Differences of view on grains have been narrowed. (Talks are to resume in October.)

- The framework of the dairy and meat agreements is essentially complete. Understandings on particular products are still to be negotiated.

In the area of general codes or trading rules, the

subject of greatest importance to agriculture is subsidies. Present General Agreement on Tariffs and Trade (GATT) rules on primary products, including agricultural items, provide only that subsidies may not be used to enable a country to gain "more than an equitable share of world export trade."

The rules take into account the shares of the contracting parties in trade in the product concerned during a previous representative period and any special factors that may have affected or may be affecting trade in such product.

The major developed countries have committed themselves "to reach a common understanding to avoid distortions of trade in traditional markets through the use of subsidies." This means that they have agreed "to develop appropriate definitions for markets and representative periods for reference in case disputes arise."

These specific undertakings with respect to agriculture represent a substantial forward step and would be part of a general code on subsidies and countervailing duties covering both industrial and agricultural products. Other provisions remain to be elaborated.

Regarding other general codes, the joint statement notes progress in a number of important areas:

- A code has been drafted for instituting a harmonized and fair international system for determining the value of goods for customs purposes.

- A text has been drafted covering rules to open government procurement to international competition by means of agreed, nondiscriminatory, and transparent (open to view and comment) pro-

cedures under international supervision. Product coverage remains unresolved.

- A draft standards code is near final form and should be completed in early autumn. The objective of this code is to promote the use of internationally agreed up product standards, where appropriate, and to provide a better basis for avoiding or eliminating unnecessary technical barriers to trade.

- Delegations will actively seek an international agreement to strengthen rules and procedures, to protect trademarks and copyrights, and to stop trade in counterfeited goods.

- Texts have been drawn up that provide the basis for agreement to assure that import licenses "are employed only when necessary, are not designed to distort trade, are transparent, and are administered in a fair and equitable manner."

- There is agreement that a new code of rules is needed to govern safeguard actions (emergency or unavoidable trade restrictions). The code should provide for a new body "to review particular actions and matters affecting the operation of the code, assist in resolving disputes and effectively deter abusive and unjustifiable recourse to safeguard action."

- Finally, there is a series of detailed draft texts designed to strengthen the legal framework of the GATT, to provide a better basis in GATT for the special and differential treatment of developing countries and their increasing acceptance of responsibilities as their development proceeds, to improve dispute settlement

Mr. Hudson is Director, Trade Negotiations Division, International Trade Policy, FAS.

Continued on page 15

Irish Lamb's Unlimited Entry Into France Leaves Some Unhappy

By Robin Mosse

The Irish sheep industry, for so long the Cinderella of Irish agriculture, is at last set for recovery, following an informal trade agreement worked out between French and Irish agricultural officials. But although the pact, announced in late December 1977, will give a strong upward push to the Irish industry, it is not being received with equal joy by all sectors of the economy.

Irish consumers—whose voices still are relatively faint—object to the higher domestic lamb prices that already have resulted from the pact. Also, some Irish sheep farmers believe the industry would be better protected under an EC Common Agricultural Policy (CAP) for sheep.

They point out that the agreement, announced by Irish Agriculture Minister Jim Gibbons, is not backed by a written document. But the Minister has stated Irish

lamb will have unlimited access to the French market, subject only to quality standards.

U.K. lambmeat exporters, on the other hand, claim the pact is really a bilateral agreement that excludes U.K. lamb from the French market and is illegal under EC arrangements.

One of the advantages of EC membership originally put forth by the Irish Government and other proponents of Irish accession was the expected unrestricted access to all EC markets. The anticipated sales boost was to have been particularly meaningful to sheep producers in the poorer, hilly regions of Ireland—an area constituting over 1.42 million hectares, about one-fifth of Ireland's total land area—because farmers there depend on sheep production for much of their income.

In anticipation of the opening of Community markets, particularly that of France, Irish farmers began to expand sheep numbers in 1971. These numbers peaked in 1974, the first full

year of Ireland's Community membership. However, sheep and sheepmeat did not move freely across the channel and before December 1977—when the pact was made—the full potential of the Irish sheep industry lay untapped.

Farmers, experiencing relatively low and widely fluctuating market prices, particularly because of the lethargy of the lamb export market, continued to invest their resources in other farm enterprises such as beef production, dairying, and arable crops—markets more secure since they were protected by the CAP. Consequently, sheep numbers declined almost 14 percent between 1974 and 1977.

But the new agreement is bringing about a change in this attitude and one relatively immediate effect of the agreement should be an increase in Irish sheep numbers.

The strong export demand for lamb is also boosting prices received by Irish sheep farmers.

Irish farm prices have risen from the level of \$2.20 per kilogram (deadweight) experienced at the end of 1977 to a point closer to the French market price of about \$4 per kilogram, where prices have stabilized. This concentration on the French market could also result in shortages on the home market.

Mountain flocks remained relatively stable in the years between 1973 and 1976, and at least initially, the most significant growth probably will take place in lowland flocks, which decreased in size during those years. Prospective increases in sheep numbers in the short run may be at the expense of growing cattle or crop tillage.

One of the most important results could be a sub-

stantial increase in Irish agricultural output. Increased sheep production, because of the much stronger export demand, could greatly stimulate farm output in poorer and more backward areas, which so far have been least affected by the boon of EC membership. Considerable improvements in efficiency are possible in these areas, stimulated by higher prices and a more reliable market.

The Irish Agricultural Institute, in a study entitled "Potential of Irish Land for Livestock Production," revealed that farmers in mountain areas could boost stocking rates from a probable average of about 10 livestock units per 40 hectares to an average of 20 units. This would probably add some 300,000-350,000 livestock units to current levels. (A livestock unit is a single cow or its equivalent.)

Other more sociological problems are helping to hold back expansion in sheep herd numbers. Education is still a limiting factor. Many farmers' sons still leave school at an early age and only a few get the opportunity to receive any formal agricultural training.

Also, many of these areas contain a very high proportion of elderly and often unmarried farmers, who tend to be overly conservative and often lack the incentive and ability to make the necessary improvements. Much more attractive schemes than have so far been available are necessary to encourage farmers to retire.

With or without the structural changes in the domestic industry, alterations in Irish trade in mutton, lamb, and live sheep, as a result of the pact with France, may be profound.

Not only will exports increase in line with production but it is likely carcass

The author is an agricultural specialist, Office of U.S. Agricultural Attaché, Dublin.



Irish lowland intensive ewe flock. The first impact of the Irish-French pact will be felt by lowland sheep producers.

exports may grow at the expense of live sheep shipments. This is because the pact opens the French market to carcass lamb rather than live sheep.

Irish mutton and lamb exports totaled 6,396 metric tons in 1977, compared with 7,273 tons in 1976 and 11,658 tons in 1975. In 1977, France took 1,971 tons of lamb.

Ireland's live sheep exports were about 115,905 head in 1977, up from the 103,561 in 1976, but down from 208,406 in 1975.

In 1976, three-quarters of Ireland's live sheep exports went to the United Kingdom, while in 1977 just over half went there. Most of the other half were exported to Belgium and Luxembourg, and from there many of them probably found their way to France. It now is probable that much more of Ireland's potential live sheep exports will be slaughtered at home and sent directly to France as carcass lamb.

Ireland's sheep imports were 221,189 head in 1977

and 186,300 head in 1976, with Northern Ireland the only supplier because of the Irish Republic's stringent animal health regulations. If the United Kingdom continues to be excluded from the French market, imports from Northern Ireland can be expected to flow south to the comparatively higher priced Irish market for slaughter and export.

Unofficially, in 1977, Ireland's per capita lamb consumption was the highest in the EC and the fourth highest in the world, but the impact of France's purchases may cause it to fall.

In 1975, the latest year for which official data are available, Ireland's per capita lamb use was 11 kilograms, just ahead of the United Kingdom at 9 kilograms per person, and well above France's 4 kilograms.

(By comparison, in 1975 Ireland was the EC's third largest per capita beef consumer (29 kilograms) and the sixth highest pork consumer.)

Irish lamb consumption fell to 10 kilograms per per-

son in 1976 and probably stood at the same level in 1977. Already in 1978, consumption has been adversely affected by the higher prices resulting from the agreement to serve the French market.

As lamb has risen in price, public reaction predictably has been varied, depending on the interests involved. Farmers and their leaders are euphoric, although their enthusiasm is dampened by the lack of a CAP for sheep.

The leader of the Irish Consumers Association, on the other hand, reportedly described the pact as "disastrous." But the interests of the consumers may receive slight regard as the movement, although growing, has relatively little influence, compared with that of the farmer organizations.

In the background is the running quarrel between the United Kingdom and France and Ireland. Britain has protested to France and Ireland that the pact was made without prior consultations with the United Kingdom

and that its effect is to discriminate against U.K. lamb.

The French respond that as long as the United Kingdom allows substantial imports of New Zealand lamb, British farmers are in a position to flood the French market with U.K. lamb, while eating cheaper New Zealand lamb at home.

And the Irish are understandably strongly resisting U.K. attempts to end their agreement with France.

Observers believe that none of the three main interested partners really wants a CAP for sheep. France fears it could lower French lamb prices and flood the French market; the United Kingdom sees a CAP raising consumer prices; while Ireland, although the most interested of the three, fears current EC proposals will result in lower prices than are available under the present arrangement.

However, if the disagreement among the three countries persists, the Community may be forced to adopt a policy for sheep just to still the clamor. □

CCC-OPIC Program Aimed At Boosting Farm Exports

By Ralph E. Spencer

Improved coordination by the Overseas Private Investment and the Commodity Credit Corporations will create opportunities for U.S. exporters by making available new financial arrangements.

The Overseas Private Investment Corporation (OPIC) and USDA's Commodity Credit Corporation (CCC) have announced a joint effort to stimulate exports of U.S. agricultural commodities through coordinated use of their export financing facilities.

This cooperation should enable the two groups to carry out projects jointly that would not be developed by either agency alone and encourage U.S. companies with recognized capabilities in agricultural management and marketing to help expand and improve livestock and processing industries in developing nations that cannot efficiently produce most grains. Some of these countries are potentially large markets for U.S. feedgrains, soybeans, wheat, corn, and rice, according to George Shanklin, Acting USDA General Sales Manager, and Rutherford M. Poats, Acting President of the Investment Corporation.

OPIC provides loans, loan guarantees, and political risk insurance for private U.S. investors in 90

developing countries. In addition to these services, joint ventures between U.S. companies (or U.S. equity or management interests) and a business firm or co-operative in a developing country may now obtain working capital through financing under the CCC Export Credit Sales Program.

Under this program, CCC finances exports of U.S. wheat, feedgrains, cotton, tobacco, soybeans, and certain soybean products, vegetable oils, breeding cattle and swine, and a number of other agricultural commodities.

Financing runs from 6 months to a maximum of 36 months, with equal annual payments of principal plus accrued interest. Export financing is accomplished through purchase of the U.S. exporters' accounts receivable.

For all transactions, CCC requires an irrevocable commercial letter of credit from an acceptable foreign or U.S. bank in favor of CCC, authorizing that agency to draw drafts when payment is due. Interest rates are set in keeping with U.S. commercial rates and are announced on the first of each month.

Projects lending themselves to combined OPIC-CCC credit financing will

fall into three categories:

- **Livestock.** New or expanded companies in developing countries that would produce for sale in local or regional markets, poultry, cattle, hogs, sheep, goats, or fish. OPIC financing, guarantees, or insurance, would be used to develop the enterprise, with CCC credit financing for imports of U.S. grain, soybeans, or meal for use as livestock or poultry feed. U.S. producers also could provide genetic breeding stock for cattle or swine under CCC credit financing.

- **Processing.** Development of facilities to process U.S. commodities into flour, feed, oils, starches, or other processed products.

- **Storage and handling.** Developing ports, storage, or handling and distribution facilities to encourage large imports of U.S. agricultural commodities.

To be eligible for OPIC-project financing, the borrower should be a company organized to operate in a developing country, basically privately controlled, and have substantial U.S. private sector management and equity participation (25 percent or more).

The U.S. sponsor must be experienced and successful in the proposed project area.

Financing. Must be for a new project or a substantial expansion and/or modernization of an existing project. The project should be soundly capitalized, including a substantial cash equity. OPIC can finance or provide loan guarantees of up to 50 percent of total project costs (or 75 percent of the amount needed for an expansion).

The project must be beneficial to the host country. There must not be any substantial net adverse effects on U.S. agriculture. It must allow use of OPIC

funds for U.S. purchases locally or in other developing countries.

The project should offer sound and clear prospects for profitable operations and loan repayment from business operations.

Whether or not OPIC financing is applied for, OPIC insurance against political risks of inconvertibility, expropriation and war, revolution or insurrection is available.

Eligibility requirements for OPIC insurance are similar to those for OPIC financing, except there is no requirement setting a minimum percentage of U.S. ownership or participation. Equity and loan funds insured by OPIC must normally be spent primarily in the United States and/or developing countries.

Inquiries concerning OPIC financing, guarantees, or insurance should be sent by cable or mail to Information Officer, OPIC, 1129 20th St. N.W., Washington, D.C. 20527, telephone (202) 632-1854, and should include a brief description of the proposed project, outlining the market size and competition, the probable cost, the approximate volume of U.S. commodities that might be imported, the interest, experience, and reputation of the local sponsor. Similar information also must be provided about the potential U.S. sponsor. Applications also should make known any intent to utilize CCC credit financing.

Inquiries concerning CCC credit should be made to the Assistant Sales Manager for Commercial Export Programs, Office of the General Sales Manager, USDA, Washington, D.C. 20250; telephone (202) 447-7791 or 447-6225. Interested parties should inform USDA if a project financed, guaranteed, or insured by OPIC is involved. □

The author is Deputy Director, Commercial Export Programs, Office of General Sales Manager, USDA.

Tokyo Round . . .

and management procedures, to provide better discipline over trade measures taken for balance of payments purposes, and to elaborate on rules governing export controls.

The removal or reduction of tariffs and nontariff barriers on specific products has been approached in several ways, and negotiations, therefore, are in several stages of completion.

Concerning agricultural and fishery products, negotiations have proceeded by first drawing up lists of specific requests or indications of the actions sought from each country. Offers were then tabled in response to those requests.

Virtually all developed countries have submitted both requests and initial offers. Over 40 developing countries have submitted requests, and approximately one-fourth of these countries have also indicated actions they are prepared to take to give greater assurance of access into their markets for specific imported products. Discussions in this area will continue in the fall.

Regarding industrial tariffs, the developed countries have generally applied a mathematical formula for across-the-board reduction of tariffs with a minimum of

exceptions. The objective remains "a substantial degree of liberalization compared with the Kennedy Round." Delegations are now proceeding to reciprocal adjustments in their initial offers involving both improvements as well as exceptions.

Developing countries have handled their industrial tariffs through a request-offer procedure comparable with that for agricultural products.

All nontariff barriers other than those being dealt with in the general codes referred to above are subject to negotiation in a request-offer procedure.

Agreement was reached on the objective of negotiating maximum freedom of world trade in commercial aircraft, parts, and related equipment, including elimination of duties and, to the fullest extent possible, the reduction or elimination of trade restricting or distorting effects of other measures.

Negotiations on steel should be aided by discussions in the Organization for Economic Cooperation and Development (OECD), where a resolution is being prepared that would, among other things, set up a Steel Committee to establish, where appropriate, multilateral objectives or guidelines for government policies affecting trade in steel.

Sri Lanka To Get Big New Flour Mill

Under an arrangement with the Government of Sri Lanka, a consortium of three foreign companies headed by Prima Limited of Singapore is constructing a wheat flour mill, reportedly to be one of the world's largest, at Trincomalee. The mill is expected to begin production in January 1980.

Under the agreement, Prima will build the \$30-million milling complex and provide milling services for 20 years in return for the milling of all products. The Government for its part is providing the physical site and guaranteeing to supply 400,000 metric tons of grain annually to the mill. At the end of 20 years, ownership of the mill will be turned over to Sri Lanka.

Reportedly, Sri Lanka officials expect that the country will save foreign exchange valued at \$24 a ton by importing wheat and milling it domestically rather than importing flour. Sri Lanka has been importing about 500,000-600,000 tons of flour (wheat equivalent) and up to 150,000 tons of wheat a year. □

In addition to the negotiations on particular commodity agreements, codes, and the exchange of requests and offers, the delegations participating in the joint statement look to the establishment of an improved consultative framework under the GATT in order to strengthen that institution as a forum for high-level international consultations on trade policy.

With regard to agriculture in particular, the delegations "believe that the establishment of some fundamental understandings on the conduct of agricultural trade could provide a framework for avoiding continuing political and commercial confrontations

in this highly sensitive area in the future. Such understandings should build on a group of principles to be worked out that would lead to an improved level of international cooperation among participants in their efforts to secure adequate farm incomes, stabilization of food prices, and expansion of trade in agricultural products.

"This aim could be achieved in the GATT through a systematic series of consultations, exchanges of information, and the establishment of a consultative committee for reviewing and implementing the understandings and possibly coordinating the work of subsidiary bodies." □

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Dale E. Hathaway, Assistant Secretary for International Affairs and Commodity Programs.

Thomas R. Hughes, Administrator, Foreign Agricultural Service.

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First Class

Trade Teams—August

U.S. TEAM OVERSEAS

Date	Organization	Visiting
July 16- Aug. 4	Grain sorghum promotion team	Hong Kong, Malaysia, Philippines, Taiwan, Korea, Japan

FOREIGN TRADE TEAMS IN THE U.S.

Date	Organization	Visiting
July 13- Aug. 11	Wheat team from India	New York, Illinois, Nebraska, Missouri, Kansas, Louisiana, Oklahoma, Oregon, California.
July 20- Aug. 15	Wheat team from Sri Lanka	Oregon, Idaho, Oklahoma Louisiana.
Aug. 4-28	Wheat team from Republic of China	Oregon, Washington, Idaho, North Dakota, New York.
Aug. 9-21	Tobacco team from Lebanon	North Carolina, Kentucky.
Aug. 16- Sept. 11	Flour milling team from Pakistan	Washington, Oregon, Idaho, Montana, Kansas, Missouri.
Aug. 23- Sept. 13	Soybean processing team from Republic of China	California, Louisiana, Georgia, South Carolina, New York, Ohio, Indiana, Illinois, Missouri.

International Meetings—August

Date	Organization and location
July 25- Aug. 3	FAO Asia and Far East Regional Conference— Kuala Lumpur.
3-4	Association of South East Asian Nations Ministerial Meeting—Washington.
9-19	FAO Latin American Regional Conference—Monte- video.

Continued from page 10

U.S. Fights Transport Snarl

the Minneapolis ports to the Gulf also were up during January-May 1978 to 880 barges (45.6 million bu) from 860 barges (43.7 million bu) in the 1977 period.

• Grain storage capacity has increased at interior markets, taking some of the stress off port elevators. According to an AAR report, grain storage space at principal interior markets was 37.8 percent occupied as of June 17, 1978, compared with 42.4 percent at the same time last year.

May and June also saw some easing of rail car shortages and shipping charges.

Daily shortages of covered hopper cars dropped from an average of 31,991 in the week ending May 6 to 13,618 in the week ending July 8.

Barge availability improved, and rates fell accordingly. For instance, the July 13 barge rate for wheat from Minneapolis to New Orleans was down to

30.6 cents per bushel from the 65 cents of April 18.

Congestion at Gulf ports eased. The number of ocean vessels in these ports fell to 38 in the week ending July 11 from 114 during this year's record delay period of March 8-15. And as of June 2, grain transfer charges in the Gulf were some 50 percent below their March-April highs.

Whether these recent improvements will continue is difficult to say. Certainly, it will require peak performance of the transportation system to get through the long harvest season without encountering another snarl similar to that of March-April.

Yet with all carriers and regulating agencies geared up to meet the emergency—and the unusual conditions of last winter no longer hindering traffic—the crisis could turn the corner for good sometime this summer or early fall. □

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Foreign Agriculture

SUPPLEMENT
July 1978

Foreign
Agricultural
Service
U. S. DEPARTMENT
OF AGRICULTURE

U.S. GENERALIZED SYSTEM OF PREFERENCES: THE FIRST 2 YEARS

By Dale L. Good

*Trade Policy Division
Foreign Agricultural Service*

DEC 26 '78

U.S. DEPT. OF AGRICULTURE
HART AGRIC. LIBRARY

The U.S. Generalized System of Preference (GSP) completed its second year of operation on December 31, 1977. This program, authorized by the Trade Act of 1974, provides for unilateral tariff preferences to beneficiary developing countries (BDC's) for a 10-year period. Imports of specified items for designated BDC's may enter duty free; 98 countries and 40 nonindependent countries and territories have been so designated. The program covers about 2,800 five-digit items in the Tariff Schedules of the United States (TSUS), both agricultural and nonagricultural.

In 1977, 2.6 percent of total U.S. imports, worth \$3.9 billion, came in duty free under the GSP program. Agricultural imports under the GSP program amounted to \$555 million and represented 4.1 percent of all U.S. agricultural imports (page 3).

Program Results Analyzed

After only 2 years, it is too early to estimate reliably the general impact that this 10-year program will have on economic development within the BDC economies or on the U.S. economy. However, the 2-year record can be evaluated for trends in trade flows, product mix, and country participation.

In summarizing and interpreting GSP data caution is needed, as a summarization of the data can camouflage individual product trends that are diverse and subject to a wide range of phenomena other than GSP eligibility.

The analysis, based on calendar-year data, is further complicated by the March 1-February 28 competitive-need exclusion period and the various additions and deletions that have resulted from product reviews.

In interpreting the statistics, these factors were taken into consideration. The analysis is by necessity based on trade values.

Of all the agricultural products eligible for GSP, sugar is by far the most important. It represents 37.9 percent of total U.S. imports of agricultural products eligible for GSP, 56.8 percent of imports from BDC's, and 24.5 percent of GSP duty-free imports in 1977 (Table 1). A general \$159.7-million decline in sugar imports from BDC's from 1976 to 1977 significantly affected the GSP program. The value of these sugar imports declined despite greatly increased tonnage because of the collapse of sugar prices in late 1976.

Excluding sugar, total U.S. imports of agricultural items covered by GSP increased somewhat over one-fifth from 1976 to 1977. However, duty-free imports as a percent of total decreased slightly from 26.6 percent to 25.0 percent—75 percent of GSP-eligible agricultural imports other than sugar were dutiable.

The above figures, but not the directions of change, are slightly affected by one addition to, and two deletions from, the GSP-eligible list of products in late 1976 and 28 additions in early 1977.

The impact of the GSP program can be more clearly examined if imports of those products affected by change are extracted from the data, resulting in a uniform list for the 2 years. Exclusive of sugar, total U.S. imports of agricultural items on the uniform list increased approximately one-fifth from 1975 (pre-GSP) to 1976 and again that much from 1976 to 1977 for a 47.6 percent increase from 1975 to 1977. The share of BDC's as suppliers of these imports rose from 33.9 percent in 1975 to 38.7 percent in 1977. Duty-free imports of products on

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this uniform list dropped slightly from 26.6 percent in 1976 to 25.4 percent in 1977.

Farm Import Value Steady

GSP duty-free agricultural imports in 1977 were valued at \$555 million, virtually the same as in 1976 despite the \$52 million decline in the value of sugar imports. Ten items (Table 2) accounted for four-fifths, and the other 327 GSP agricultural items the remainder.

The values of individual leading items differed significantly in 1976 and 1977, and increases nearly offset declines so that overall the program seemed to exhibit some stability with GSP duty-free agricultural imports of about \$555 million in both years.

Of the 10 leading products, 71.1 percent were imported from Latin America, 21.6 percent from Africa, 6.3 percent from Asia, and the balance from BDC's in Europe and Oceania.

Five countries—Argentina, Brazil, Guatemala, Ivory Coast, and Mexico—accounted for 49.5 percent of total GSP duty-free imports with Brazil accounting for more than half of that five-country share (Table 3).

As might be expected, competitive-need exclusions exceeded GSP duty-free imports and amounted to \$879.5 million. (Sugar accounted for \$713.9 million of these exclusions.) The Philippines was excluded with respect to \$248.1 of imports; the Dominican Republic, \$168.8 million; Brazil, \$114 million; Argentina, \$64.3 million; and Peru, \$47.2 million. Mexico was excluded on 16 eligible TSUS items; Brazil, the Dominican Republic, and Taiwan on nine each.

In 1976 and in 1977, only 37 percent of GSP-eligible imports from BDC's were imported duty free. There are several reasons why imports of an eligible product from a BDC may be treated and recorded as dutiable on a calendar-year statistical basis:

- The BDC may have been designated for competitive-need exclusion on March 1 of the year.
- The country may have been designated for competitive-need exclusion the previous year, the coverage of which would extend through February of the following year.
- Its exports may have failed to meet the rules-of-origin test.
- The importer may have failed to request duty-free treatment.

The dutiability of nearly all of the 63 percent of GSP-eligible product imports was a result of the competitive-need exclusion.

On the basis of a summary of the 10 major GSP duty-free import items in 1977, it appears that the less competitive developing countries are increasingly

benefiting from the GSP program and the application of the competitive-need formulas.

The less competitive developing countries can be defined as those not excluded for competitive-need reasons in 1976 or 1977. The duty-free imports from these countries increased by 27.6 percent or \$69.5 million from 1976 to 1977.

Significant decreases in duty-free imports of sugar (mentioned above) and cocoa butter and corned beef (as a result of competitive-need exclusions) mask the increases in imports of other GSP-eligible products.

The most noted increases were in unsweetened cocoa (\$57.2 million) and castor oil (\$27.2 million). Higher prices brought about the increased value of unsweetened cocoa imports—with Brazil, Ghana, and Ivory Coast accounting for most of the increase.

GSP-free castor oil imports increased as Brazil's competitive-need status changed when TSUS 176.02 was split into TSUS 176.14 and 176.15. Imports from Brazil were ineligible under TSUS 176.02, but eligible under TSUS 176.14. Imports of products not produced in the United States increased by \$29.2 million.

GSP Impact Not Adverse

The impact of the GSP program has not been adverse to the U.S. agricultural balance of trade. Total imports of GSP-eligible products from BDC's were roughly the same in 1976 and 1977. Such imports from all origins in 1977 were actually 9.4 percent less than comparable imports in 1975, the year before GSP was implemented.

Very few of the agricultural products covered by GSP are in the raw or fresh state. Some, particularly those in TSUS Schedule III (textile fibers and textile products), Schedule IV (chemicals and related products), and Schedule VII (miscellaneous and nonenumerated products), are highly processed.

Those in Schedule I (animal and vegetable products) accounted for 237 of the 337 eligible TSUS items. This schedule represented nearly all agricultural GSP-free imports. Five items in the sugar, cocoa, and confectionery part of the tariff schedules accounted for almost two-thirds of total GSP duty-free imports, or \$362.4 million. Vegetable oils, fats, and greases accounted for 7.7 percent or \$42.5 million. Largely because of increased imports of castor oil (\$27.2 million) the value of this group increased by \$31.3 million from 1976 to 1977.

Meat imports accounted for 4.1 percent of GSP duty-free imports or \$23 million—a decrease of 70.2 percent from the year-earlier level. One-third of this decrease can be attributed to the competitive-need exclusion of Argentina and Brazil for canned corned beef in 1977. Vegetables accounted for 2.8 percent

and fruit and nuts for 2.7 percent of GSP duty-free imports. The most notable increase among these products was that of canned mandarin oranges—\$3.8 million.

Eligible items not produced in the United States fell into three schedules and represented 25 TSUS items. In 1977 these products accounted for 6.7 percent of GSP-free imports.

Custom duties waived under the GSP for the top 10 GSP-free imports (approximately 80 percent of the total) are estimated at \$35.3 million in 1977 (Table 4). This compares with total agricultural custom duties collected in 1976 of \$366.8 million. Sugar accounted for over 80 percent of the duties waived for the major GSP-free items. Brazil, Costa Rica, Guatemala, and Mozambique each saved \$3-\$6 million in customs duties accounting for approximately half of the \$35.3 million. The median most-favored-nation (MFN) duty of the eligible agricultural items is 5.7 percent, ad valorem. Approximately 65 items have an MFN duty of 10 percent or more.

GSP Program and Product Reviews

The Trade Act of 1974 (section 505) directs the President to submit to the Congress a full and complete report of the GSP program on or before January 3, 1980. To administer the program effectively and fulfill the intent of Congress, the Office of the President's Special Trade Representative (STR)

has carried out four major product reviews and one program review during the first 2 years of the program.

The product reviews carried out in 1977 resulted in the addition of three agricultural products to the 1978 GSP list, bringing the overall agricultural total to 339 (Table 5). Since the formulation of the initial GSP list of eligible articles, 32 agricultural items have been added and three deleted. The deletions TSUS 455.40 and 455.42 (inedible gelatin) were based upon import sensitivity. TSUS 192.70 (istle) was dropped as it was placed under 192.66 in 1977, a duty-free category.

In mid-1977, the Trade Policy Staff Committee conducted a review of the operations of the GSP program. Public comments on possible improvements were solicited. It was decided to conduct future product reviews annually instead of semi-annually, as in the past. An annual timetable for product reviews has been established (any modifications will be published in the Federal Register):

June 1—Announcement of review.

July 15—Deadline for receiving petitions.

August 1—Announcement of accepted petitions.

September 15—Public hearings.

Additionally, procedures were established for governments of BDC's to request product eligibility changes and to testify at public hearings on proposed product changes. □

GSP Program History and Review Procedure

On November 24, 1975, President Ford signed Executive Order 11888¹ which implemented GSP. The United States, beginning GSP operations on January 1, 1976, thus joined virtually all other developed nations² in offering tariff preferences to developing nations.

These generalized preference programs have their origins in a resolution of the United Nations Conference on Trade and Development (UNCTAD) held in 1964, which emphasized the participation of the developing countries in international trade in manufactures and semimanufactures. In 1971, the contracting parties of General Agreement on Tariffs and Trade (GATT) adopted a waiver that authorized developed countries to give tariff preferences to developing countries for 10 years, generally without giving the same treatment to like products of other contracting parties. The adoption of that waiver was necessary, since the differential tariff treatment to be

granted would have violated the most-favored-nation (MFN) principle upon which GATT is generally anchored.

Features of the U.S. GSP

The U.S. GSP system is administered by the President's Office of the Special Representative for Trade Negotiations (STR). The purpose of the U.S. GSP program is to encourage economic diversification and export development within the developing world. Section 501 of the Trade Act requires the President, in granting GSP treatment, to consider the effect of such action on the economy of BDC's as well as the anticipated impact on U.S. domestic producers.

Guidelines for designating BDC's are set forth in Section 502. A country may not be designated if, among other things, it is a member of a cartel-type arrangement that has the effect of creating serious disequilibrium in the world economy, grants reverse preferences to developed countries other than the United States, or is a Communist country (with

¹40FR (229) 55275, Nov. 26, 1975. ²Includes Australia, Austria, Canada, European Community, Finland, Iceland, Japan, New Zealand, Norway, Sweden, and Switzerland.

certain exceptions). Other guidelines, which do not preclude designation if such designation is in the national interest of the United States, exclude countries that have nationalized or expropriated the property of U.S. citizens without fair compensation, or that traffic in illegal drugs.

The eligibility of articles is set forth in Section 503. Manufactured, semimanufactured, and selected agricultural products that are not determined to be import-sensitive are eligible. A product is defined as being sensitive if the granting of GSP would increase imports to a level that would be detrimental to U.S. producers of like or similar products. Sensitivity is determined by analyzing the domestic supply and demand situation. Pertinent information studied includes production, productive capacity, employment, prices, and the competitive structure of the industry in question.

To insure that the intent of the program is realized, Congress created rules-of-origin requirements for eligible products and competitive need formulas for beneficiary countries. The rules of origin are intended to stimulate production and processing industries in the developing countries. They require that eligible articles be imported directly from the beneficiary country and that the value added in that country be at least 35 percent of the appraised value of the article when it is imported.

To encourage economic diversification in the developing countries, competitive-need limitations have been established. If 50 percent or more by value of the imports of a GSP-designated item originate in a single BDC during a year, that country loses its GSP eligibility for that item no later than 60 days after the close of that year.

Similarly, if imports of a GSP-designated item from a single BDC exceed a certain value, that country loses its GSP eligibility for that item. This value, set at \$25 million when the program began operations, varies in proportion with annual changes in the gross national product of the United States. For the administration of the program in 1978, the trigger point for loss of eligibility is \$33.4 million. If a country stays under these limitations the following year, it may (but need not) be redesignated for preference. Preference withdrawals and redesignations are published in the Federal Register on or before March 1. The 50 percent rule does not apply to items not produced in the United States.

These formulas have the effect of not encouraging a country to concentrate on the production for

export to the United States of one or a few products and of providing more trading opportunities to the least developed countries, which then do not have to compete in the U.S. market on equal terms with highly competitive products exported by more advanced developing countries.

Review Procedure Outlined

The Trade Act provides for periodic review of the articles eligible for GSP. Procedures for these reviews were published at 40FR (251): 60042, December 31, 1975, and revised at 42FR (175): 45532, September 9, 1977, 15 CFR 2007.

A party with a significant economic interest in adding an item to or deleting an item from GSP can petition for such actions to the STR. While petitions are accepted throughout the year, reviews since 1976 have been formally conducted twice a year. The petitions are reviewed by an interagency Trade Policy Staff Committee (TPSC), chaired by the STR, to determine if they meet established requirements and that determination is published in the Federal Register. In addition to the STR, the TPSC is composed of representatives of the Departments of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury, and as a nonvoting member, the U.S. International Trade Commission (USITC). The TPSC can review products on its own motion.

Public hearing dates are set to obtain evidence on the accepted petitions. Interested parties may submit briefs and/or testify at the hearings, which are held in Washington, D.C.

If a product is being reviewed for eligibility for the first time, USITC is required to report on its import sensitivity. Its report is in part based on evidence collected at hearings held in the field and briefs from interested parties.

With the written and oral advice of interested parties, the TPSC reconvenes to consider the merits of the petitions. Its work is prepared by the GSP Subcommittee. Preliminary Subcommittee advice and TPSC advice are formulated by majority vote. Any department may appeal a decision to higher levels—first to the Trade Policy Review Group (Assistant Secretary level) and finally to the Trade Policy Committee (Secretary level), both of which are interagency groups chaired by STR. When the review is completed, the STR forwards the advice thus obtained to the President for action. □

Table 1—Imports of GSP-Eligible Agricultural Products, 1975-77¹

(In million dollars)

Year	World total	Non-GSP total	GSP beneficiary countries			Competitive-need exclusion
			Total	Free	Dutiable	
1975						
Total	2,983.4	1,019.4	1,964.0	—	—	—
Sugar	1,872.1	285.1	1,587.0	—	—	—
Balance	1,111.3	734.3	377.0	—	—	—
1976						
Total	2,526.6	1,008.5	1,518.1	555.6	962.5	911.4
Sugar ²	1,148.4	134.4	1,014.0	188.5	825.5	820.1
Balance	1,378.2	874.1	504.1	367.1	137.0	91.3
1977						
Total	2,703.0	1,199.2	1,503.8	555.1	948.7	879.5
Sugar ²	1,024.8	170.5	854.3	136.2	718.1	713.9
Balance	1,678.2	1,028.7	649.5	418.9	230.6	165.6

¹ Statistical coverage for 1975 is based on products eligible for GSP as of January 1, 1976. 1976 includes the addition of one product and the deletion of two, and 1977 the addition of 28 products. ² Costa Rica received GSP treatment retroactively as a result of revaluation of imports.

Source: Bureau of the Census, U.S. Department of Commerce, 1976/77.

Table 2—GSP Duty-Free Agricultural Import—Major Products 1976/77

TSUS number	Product	1976		1977		Value change
		Value	Share of total	Value	Share of total	
		<i>Mil. dol.</i>	<i>Percent</i>	<i>Mil. dol.</i>	<i>Percent</i>	<i>Mil. dol.</i>
107.48	Corned beef	68.9	12.4	19.6	3.5	-49.3
125.80	Live plants, n.s.p.f. ¹	5.5	1.0	7.2	1.3	+1.7
147.29	Oranges, mandarin, canned	3.1	0.6	6.9	1.2	+3.8
155.20	Sugar ²	188.5	33.9	136.2	24.5	-52.3
155.40	Molasses, inedible	68.8	12.4	72.4	13.0	+3.6
156.35	Cocoa butter	71.7	12.9	56.3	10.1	-15.4
156.40	Cocoa, unsweetened	27.2	4.9	84.4	15.2	+57.2
157.10	Candy, n.s.p.f. ¹	10.9	2.0	10.0	1.8	-0.9
167.05	Ale or beer	9.0	1.6	11.0	2.0	+2.0
176.14 } 176.15 }	Castor oil ³	11.5	2.1	38.7	7.0	+27.2
Subtotal ⁴		465.1	83.7	442.7	79.8	-22.4
Others		90.5	16.3	112.4	20.2	+21.9
Total		555.6	100.0	555.1	100.0	-0.5

¹ Not specifically provided for.

² Costa Rica received GSP treatment retroactively as a result of revaluation of imports.

³ Effective 10/1/76, TSUS 176.02 was split to form TSUS 176.14 and 176.15.

⁴ Totals may not add, due to rounding.

Source: Bureau of the Census, U.S. Department of Commerce, 1976/77.

Table 3—GSP-Eligible Agricultural Imports—Major Beneficiary Developing Countries, 1977

Country	Free		Dutiable		Total		Competitive-need exclusions	
	<i>Mil. dol.</i>	<i>Percent</i>	<i>Mil. dol.</i>	<i>Percent</i>	<i>Mil. dol.</i>	<i>Percent</i>	<i>Mil. dol.</i>	<i>Percent</i>
Brazil	137.9	24.8	117.2	12.4	255.0	17.0	114.0	13.0
Mexico	47.6	8.6	45.3	4.8	92.9	6.2	32.4	3.7
Guatemala	40.5	7.3	34.7	3.7	75.3	5.0	33.2	3.8
Ivory Coast	26.3	4.7	26.5	2.8	52.8	3.5	25.7	2.9
Argentina	22.9	4.1	64.7	6.8	87.6	5.8	64.3	7.3
Mozambique	20.9	3.8	0.1	(¹)	21.0	1.4	0	0
Costa Rica	20.0	3.6	4.8	0.5	24.8	1.6	0.5	0.1
Taiwan	19.3	3.5	31.4	3.3	50.7	3.4	22.4	2.5
Dominican Republic	16.2	2.9	169.6	17.9	185.8	12.4	168.8	19.2
Mauritania	11.7	2.1	0	0	11.7	0.8	0	0
Subtotal ²	363.3	65.4	494.3	52.1	857.6	57.0	461.3	52.5
Others ³	191.8	34.6	454.4	47.9	646.2	43.0	418.2	47.5
Total	555.1	100.0	948.7	100.0	1,503.8	100.0	879.5	100.0

¹ Negligible. ² Totals may not add due to rounding. ³ The Philippines accounted for 17.2 percent of total imports. While its share of duty-free imports, 1.2 percent, did not place it in the top ten, its dutiable, 26.5 percent, and competitive need exclusion, 28.2 percent, shares are significant.

Source: Bureau of the Census, U.S. Department of Commerce, 1977.

Table 4—Value of Customs Duties Waived on Major GSP Free Imports of Agricultural Items, 1977

TSUS	Product	Ad valorem equivalent ¹		MFN duty	Customs value of GSP-free imports	Quantity ² of GSP-free imports	Custom duty waived
		<i>Percent</i>	<i>Rate</i>				
107.48	Corned Beef	7.5	7.5%	1,000 dol.	19,619	1,000 units	1,471
125.80	Live plants, n.s.p.f.	7.5	7.5%		7,242	130,810 units	543
147.29	Oranges, mandarin, canned	0.7	0.2¢/lb		6,910	24,432 lb	49
155.20	Sugar	21.0	1.917¢/lb ³		136,179	1,490,364 lb	28,570
155.40	Molasses, inedible	0.3	0.012¢/lb		72,434	1,901,346 lb	228
156.35	Cocoa butter	3.0	3.0%		56,321	2,367 lb	1,690
156.40	Cocoa, unsweetened	0.3	0.37¢/lb		84,371	62,885 lb	233
157.10	Candy, n.s.p.f.	7.0	7.0%		10,036	24,537 lb	703
167.05	Ale or beer	3.4	6.0/gal		11,017	6,212 gal	373
176.14	Castor oil	3.8	1.5¢/lb		30,790	78,693 lb	1,180
176.15	Castor oil, other	3.9	1.5¢/lb		7,887	20,505 lb	308
Total							35,348

¹ Ad valorem equivalent for GSP beneficiary countries. ² Estimate.

³ Duty was revised as of November 11, 1977.

Revision is primarily applicable to imports after January 1, 1978.

Source: Bureau of the Census, U.S. Department of Commerce, 1977.

Table 5—Agricultural Commodities Designated as Eligible for Preferential Duty-Free Treatment Under the Generalized Preference Program

TSUS	Description	MFN rate (1977 AVE in percent)	Countries excluded from preference by competitive need limitations
10025	Live birds valued not over \$5 each, n.e.s.	3.9	— — —
10031	Live birds, n.s.p.f., valued over \$5 each	4.0	— — —
10073	Live horses, not imported for immediate slaughter, valued not over \$150 per head	4.0	— — —
10095	Live animals, except birds, n.e.s.	3.5	— — —
10530	Dead birds, whole, plucked only, fresh, chilled, or frozen	0.7	— — —
10560	Dead birds, plucked, beheaded and eviscerated, fresh, chilled, or frozen	2.1	— — —
10584	Birdmeat, n.s.p.f., otherwise prepared or preserved	1.2	— — —
10640	Pork, fresh, chilled or frozen	0.8	— — —
10660	Frogs, fresh, chilled or frozen	2.5	— — —
10670	Meats, n.s.p.f., fresh, chilled or frozen, not over 30 cents per pound	¹ 10.2	— — —
10675	Meats, n.s.p.f., fresh, chilled or frozen, valued over 30 cents per pound	10.0	— — —
10680	Edible meat, offal, fresh, chilled, or frozen, not over 20 cents per pound	3.4	— — —
10685	Edible meat, offal, fresh, chilled, or frozen, over 20 cents per pound	2.5	— — —
10710	Fresh pork sausages	1.6	— — —
10715	Pork sausage, except fresh	1.1	— — —
10720	Sausages, beef in airtight containers	7.5	— — —
10725	Sausages, n.e.s.	5.0	— — —
10740	Beef or veal, pickled or cured, valued not over 30 cents per pound	¹ 5.0	— — —
10745	Beef or veal, pickled or cured, valued over 30 cents per pound	10.0	— — —
10748	Corned beef in airtight containers	7.5	— — —
10765	Frog meat, prepared or preserved	6.0	— — —
10770	Meat and edible offals, n.e.s., prepared or preserved, under 30 cents per pound	6.4	— — —

See footnotes at end of table.

TSUS	Description	MFN rate (1977 AVE in percent)	Countries excluded from preference by competitive need limitations
10775	Meat and edible offal, n.e.s., prepared or preserved, over 30 cents per pound	5.0	---
10780	Meat extract, including fluid	0.4	---
11765	Cheese from sheep's milk, suitable for grating, original loaves ²	9.0	---
11767	Cheese, pecorino, in original loaves not suitable for grating ²	12.0	---
11950	Poultry eggs, except chicken, in the shell	2.5	---
11955	Chicken eggs, in the shell	8.9	---
12017	Other hides and skins	2.0	---
12350	Furskins of the silver, black, or platinum fox	18.5	---
12420	Plates, mats, linings, strips, etc., of fur skins dressed, not dyed	8.5	---
12425	Furskins, n.e.s., dressed, not dyed	2.5	---
12430	Coney rabbit furskins, dressed, not dyed	5.0	---
12440	Furskins, n.s.p.f., whole or not dressed but not dyed	5.0	---
12460	Plates, mats, linings, strips, etc., of furskins, dyed, or dressed	10.0	---
12465	Furskins, dressed and dyed, beaver, chinchilla, ermine, mink, etc.	4.0	---
12470	Rabbit furskins, dressed, dyed	7.5	---
12480	Furskins, whether whole or not, n.s.p.f., dressed and dyed	6.0	---
12501	Tulip bulbs, live	2.0	---
12510	Lily bulbs	0.4	---
12515	Narcissus bulbs	2.0	---
12520	Crocus corms	1.3	---
12530	Bulbs, roots, etc., n.e.s., imported for horticultural purposes	5.5	---
12550	Grafted or budded fruit trees	5.0	---
12570	Orchid plants	4.0	---
12580	Live plants suitable for planting, n.s.p.f.	7.5	---
12641	Flower seeds	0.1	---

See footnotes at end of table.

TSUS	Description	MFN rate (1977 AVE in percent)	Countries excluded from preference by competitive need limitations
12671	Pepper seeds	0.4	— — —
12710	Garden and field seeds except grass and forage crop seed, n.s.p.f.	1.1	— — —
13020	Canary seed	0.8	— — —
13030	Corn or maize certified seed	0.3	— — —
13035	Corn or maize, except certified seed	7.8	Argentina
13040	Grain sorghum	0.8	Mexico
13063	Seed wheat, unfit for human consumption	5.0	— — —
13120	Corn, milled, fit for human consumption	3.0	— — —
13135	Rice meal and flour, fit for human consumption	0.5	Hong Kong
13180	Other milled grain products, not fit for human consumption	10.0	— — —
13255	Starches, n.s.p.f.	5.1	— — —
13530	Cabbage, fresh, chilled, or frozen	8.2	— — —
13541	Carrots, fresh, chilled or frozen, under 4" long	6.0	— — —
13550	Cauliflower, fresh, chilled, or frozen, entry June 5-Oct. 15	5.5	— — —
13551	Cauliflower, fresh, chilled, or frozen entered Oct. 16-June 4	12.5	Taiwan
13560	Celery, entering April 15 to July 31	1.7	— — —
13570	Chickpeas or garbanzos, fresh, chilled, or frozen ²	2.2	— — —
13580	Cowpeas, blackeye, fresh, chilled, or frozen	12.9	Nicaragua
13590	Cucumbers, fresh, chilled, or frozen, entry Dec. 1-last day of Feb.	33.9	Mexico
13594	Cucumbers, fresh, chilled, or frozen, entry July 1-Aug. 31	7.4	— — —
13600	Dasheens, fresh, chilled, or frozen	12.5	Dominican Republic
13610	Endive, including witloof chicory	0.2	— — —
13640	Horseradish	6.5	— — —
13650	Lentils ²	0.8	— — —
13680	Okra, fresh, chilled, or frozen	25.0	Mexico
13690	Onion sets, fresh, chilled, or frozen	1.9	— — —
13692	Pearl onions, not over 10/16 inch in diameter	21.1	Mexico
13698	Peas, fresh or chilled, entry July 1-Sept. 30	3.4	Dominican Republic
13699	Peas, frozen entering July 1-Sept. 30, inclusive	3.5	— — —
13701	Peas, fresh, chilled or frozen entering Oct. 1 to June 30 inclusive	13.0	— — —
13740	Radishes, fresh, chilled or frozen	6.0	Mexico
13771	Brussels sprouts, fresh, chilled or frozen	25.0	Mexico

See footnotes at end of table.

TSUS	Description	MFN rate (1977 AVE in percent)	Countries excluded from preference by competitive need limitations
13775	Chayote, fresh, chilled or frozen	12.5	Costa Rica
13805	Broccoli, cauliflower, and okra, fresh, chilled or frozen and cut, sliced or reduced in size	17.5	Mexico
14009	Mung beans, dried, entry for consumption May 1-Aug. 31	2.7	Thailand
14010	Red kidney beans, dried, entry for consumption May 1-Aug. 31	6.3	---
14011	Dried beans, n.s.p.f. entered for con- sumption May 1-Aug. 31	3.6	---
14014	Mung beans, dried, etc. entry for con- sumption Sept. 1-April 30 withdrawn anytime	5.4	Thailand
14016	Beans, dried, except mung, entry for con- sumption Sept. 1-April 30, withdrawn anytime	5.8	---
14020	Chickpeas or garbanzos, split, dried, etc.	4.1	---
14021	Chickpeas or garbanzos other than split, dried, etc.	5.3	Mexico
14025	Blackeye cowpeas, dried, etc.	1.3	Peru
14035	Lentils, dried, etc.	0.4	---
14038	Lupines, dried, etc.	0.5	---
14046	Peas, n.e.s., dried, desiccated, or dehydrated	2.6	---
14105	Soybean, in brine, pickled or otherwise prepared or preserved, n.e.s.	8.5	---
14120	Beans, except soya, prepared or preserved, not in salt or brine, not pickled	5.4	---
14135	Chickpeas or garbanzos, prepared or preserved, except dried	1.6	Turkey
14145	Onions packed in salt, in brine or pickled	8.0	---
14150	Onions, prepared or preserved, n.e.s.	17.5	---
14155	Peas, in brine, packed in salt, pickled or otherwise preserved, except dried	2.8	Dominican Republic
14170	Waterchestnuts, in salt, pickled or otherwise preserved	17.5	Taiwan
14177	Miscellaneous vegetables, in salt, pickled or otherwise preserved	12.0	Mexico
14179	Palm hearts, prepared or preserved, n.e.s. ²	8.5	---
14502	Chestnuts, prepared or preserved, n.e.s.	8.9	---
14509	Coconut meat, except copra, n.s.p.f., otherwise prepared or preserved	10.0	---
14524	Pignolia nuts, not shelled	0.3	---
14528	Walnuts, not shelled	8.0	---
14530	Nuts, edible, n.e.s., not shelled	2.3	---

See footnotes at end of table.

TSUS	Description	MFN rate (1977 AVE in percent)	Countries excluded from preference by competitive need limitations
14552	Pignolia nuts, shelled, blanched, or otherwise prepared or preserved	0.5	Portugal
14553	Pistache nuts, shelled, blanched, or otherwise prepared or preserved	0.4	Turkey
14554	Walnuts, pickled, immature ²	14.8	— — —
14560	Nuts, pickled or otherwise prepared or preserved, n.s.p.f.	28.0	Taiwan
14612	Apples, dried	1.8	— — —
14622	Apricots, dried	1.2	Turkey
14642	Bananas, dried	3.5	— — —
14644	Bananas, not fresh or dried, otherwise prepared or preserved	7.5	Philippines
14666	Berries, dried and evaporated, except barberries, n.s.p.f.	1.1	— — —
14673	Black currants, gooseberries, etc., prepared or preserved	7.0	— — —
14680	Cashew apples, sapodillas, etc., fresh or prepared or preserved ²	7.0	— — —
14721	Lemons, prepared or preserved ²	1.3	— — —
14729	Oranges, mandarin, packed in airtight containers	0.6	— — —
14733	Citrus fruit, fresh, n.s.p.f.	8.5	Jamaica
14736	Citrus fruits, prepared, n.s.p.f.	35.0	— — —
14780	Guavas, fresh, dried, pickled or in brine	7.0	Dominican Republic
14785	Guavas, prepared or preserved, n.s.p.f.	4.0	Brazil
14788	Mangoes, fresh, entry Nov. 1-Mar. 31 ^{3,4}	15.6	Mexico
14792	Mangoes, prepared or preserved ⁶	7.5	— — —
14812	Cantaloupes, fresh, entry Dec. 1-Mar. 31 ^{3,5}	35.0	Mexico
14825	Melons, other, entry Dec. 1-May 31 ³	8.5	— — —
14835	Melons, prepared or preserved	35.0	Taiwan
14872	Peaches, fresh or in brine, entry Dec. 1-May 31	0.4	Chile
14877	Peaches, white, fleshed, prepared or preserved, n.s.p.f.	10.0	Korea
14915	Plantains, prepared or preserved	7.5	Honduras
14950	Fruits, fresh, n.e.s.	8.5	Dominican Republic
14960	Fruits, prepared or preserved, n.e.s.	17.5	— — —
15200	Banana flour and plantain flour	7.0	— — —
15205	Fruit flours, other	15.0	— — —
15243	Fruit paste and pulp: cashew apple, mamey colorado, sapodilla, soursop, and sweetsop	17.5	Dominican Republic

See footnotes at end of table.

TSUS	Description	MFN rate (1977 AVE in percent)	Countries excluded from preference by competitive need limitations
15254	Guava paste and pulp	7.0	— — —
15258	Mango paste and pulp	7.0	— — —
15260	Tamarind paste and pulp ²	15.0	— — —
15272	Banana and plantain, paste and pulp	7.5	— — —
15302	Jellies, jams, etc., of cashew apple; mamey colorado	5.0	Dominican Republic
15308	Guava jelly, jam, marmalades, and fruit butters	5.0	Brazil
15316	Orange marmalade	5.5	— — —
15324	Pineapple jellies, jams, marmalades, fruit butters, etc.	5.0	— — —
15328	Quince jelly, jam, marmalades, fruit butters, etc.	8.5	Portugal
15332	Jellies, jams, marmalades, and fruit butters, n.e.s.	7.0	— — —
15410	Chestnuts, candied, crystallized or glace, including marrons	0.9	— — —
15440	Ginger root, candied, crystallized or glace	13.5	— — —
15455	Fruit, candied, crystallized or glace, n.e.s.	10.0	— — —
15460	Candied, crystallized, or glace vegetable substance, n.e.s.	20.0	— — —
15520	Sugar, sirup, molasses, principally crystalline structure or dry amorphous form ⁶	17.7	Argentina Brazil Colombia Dominican Republic El Salvador Guatemala Guyana India Jamaica Nicaragua Panama Peru Philippines Taiwan Thailand
15530	Sugars, sirups, molasses containing not over 6 percent nonsugar solids ⁶	15.2	— — —
15535	Sugars, sirups, molasses containing nonsugar over 6 percent	1.4	Barbados
15540	Molasses, inedible	0.3	— — —
15560	Dextrose	6.1	— — —

See footnotes at end of table.

TSUS	Description	MFN rate (1977 AVE in percent)	Countries excluded from preference by competitive need limitations
15575	Sugars, sirups, and molasses, blended, flavored or unflavored	15.0	---
15625	Chocolate, sweetened, in bars or blocks, 10 lbs. or more	0.4	---
15630	Chocolate, sweetened, except bars and blocks, 10 lbs. or more	5.0	---
15635	Cocoa butter	3.0	Ivory Coast
15640	Cocoa, unsweetened, and cocoa cake reducible to cocoa powder	0.3	Brazil
15645	Cocoa, sweetened	5.0	Brazil
15647	Confectioner's coatings and other products containing over 6.8 percent nonfat solids of cocoa bean nibs and over 15 percent vegetable fats other than cocoa butter	2.5	---
15710	Candy and other confectionery, n.s.p.f.	7.0	---
16115	Cassia, cassia buds, and cassia vera, ground	1.1	---
16119	Cinnamon and cinnamon chips, ground	1.3	---
16137	Ginger root, ground, not candied or preserved	1.2	---
16143	Mace, bombay or wild, unground ²	7.0	---
16145	Mace, bombay or wild, ground ²	¹ 50.0	---
16153	Margoram, manufactured	7.5	---
16161	Mustard seeds, whole	2.8	---
16165	Nutmegs, ground	1.0	---
16169	Origanum, except crude	7.5	---
16171	Paprika, ground or unground	8.2	---
16175	Parsley, manufactured	15.0	Mexico
16179	Pepper, black or white, ground	1.0	---
16183	Pepper, capsicum or cayenne or red, unground, n.s.p.f.	6.1	---
16192	Rosemary, manufactured	7.5	---
16194	Sage, unground ²	2.1	---
16196	Sage, ground or rubbed	0.1	---
16203	Savory, manufactured	7.5	---
16207	Tarragon, manufactured	7.5	---

See footnotes at end of table.

TSUS	Description	MFN rate (1977 AVE in percent)	Countries excluded from preference by competitive need limitations
16211	Thyme, manufactured	7.5	---
16215	Mixed spices, spice seeds, and spices, n.s.p.f.	7.5	---
16555	Fruit juices, unmixed, n.e.s. not contain- ing over 1 percent ethyl alcohol	1.6	---
16620	Gingerale, ginger beer, lemonade, and soda water	0.6	---
16630	Vegetable juices, including mixed, under ½ percent alcohol	0.6	Israel
16640	Beverages, n.s.p.f., under ½ percent alcohol	0.5	---
16705	Ale, porter, stout, or beer	3.1	---
16715	Cider, fermented, still or sparkling	0.9	---
16725	Rice wine or sake ²	5.4	---
16734	Wine, grape, marsala, over 14 percent alcohol in containers not over 1 gallon each	5.1	---
16740	Vermouth, in 1 gallon containers	5.0	---
16750	Other fermented alcoholic beverages, n.e.s.	9.4	---
17551	Sunflower seed	3.2	---
17601	Castor oil, valued not over 20 cent per pound ²	7.5	---
17614	Castor oil, valued over 20 cent per pound, having lovibond color values greater than 6 yellow and 0.6 red ²	4.7	---
17615	Castor oil, valued over 20 cent per pound, other	3.6	Brazil
17630	Olive oil, edible, weighing with container not under 40 lbs.	5.5	---
17633	Palm kernel oil, edible	1.8	Malaysia
17649	Sesame oil, rendered unfit for use as food ²	¹ 2.3	---
17650	Sesame oil, not rendered unfit for use as food	0.8	---
17670	Other vegetable oils, n.s.p.f., except nut oils	5.0	Mexico
17758	Wool grease, medicinal	12.6	---
17762	Wool grease, n.e.s.	16.5	---

See footnotes at end of table.

TSUS	Description	MFN rate (1977 AVE in percent)	Countries excluded from preference by competitive need limitations
17769	Animal oils, fats, and greases, n.e.s., except milk, edible	5.0	---
17772	Animal oils, fats, and greases, not edible, n.s.p.f.	15.5	Cayman Islands
17830	Oil mixtures, chief value not of linseed or flaxseed	10.0	---
18205	Antipasto	5.0	---
18210	Corned beef hash	10.0	India
18211	Pastes, hash, puddings, etc., of vegetable and/or meat or fish	17.0	---
18215	Bean cake, bean stick, miso, and similar products	14.0	---
18220	Biscuits, cake, cakes, wafers and similar products, and puddings	3.0	---
18230	Cereal, breakfast foods, and preparations, processed further than milling	2.5	---
18232	Chewing gum	5.0	---
18235	Macaroni, etc., containing no egg or egg products	1.8	---
18236	Macaroni, etc., containing egg or egg products	1.9	---
18240	Yeast extract, nonalcoholic, for seasoning food, except sauces	5.0	---
18245	Soy sauce, thin	6.0	---
18246	Sauces, except thin soy	7.5	---
18252	Soups, soup rolls, cubes, etc., not containing oysters or oyster juice	7.0	---
18258	Vinegar, other than malt	2.2	---
18290	Edible preparations of gelatin, n.s.p.f.	6.0	Panama
18296	Wheat gluten	10.0	---
18450	Linseed oil cake and oil cake meal	1.7	---
18465	Animal feed meat, n.e.s., including offal prepared or perserved inedible	4.0	Taiwan
18610	Ostrich feathers and down, crude, sorted or treated only ²	5.0	---
18615	Feathers and down, n.e.s.	Temporarily free	---
18630	Bristles, crude or processed	0.8	---
18640	Hair, curled, suitable for use in mattresses or paddings	2.0	Mexico

See footnotes at end of table.

TSUS	Description	MFN rate (1977 AVE in percent)	Countries excluded from preference by competitive need limitations
18650	Human hair, crude, sorted, treated, dyed, not made into articles	4.0	---
18830	Amber and amberoid, natural whether crude or processed ²	6.6	---
18834	Chicle, other than crude	8.3	Mexico
18850	Turpentine, spirits and gum of, and rosin	5.0	---
19010	Dried blood albumen	¹ 15.2	---
19025	Catgut, whipgut, and orientalgut	17.0	---
19115	Animal substances, crude, n.s.p.f.	2.5	---
19245	Licorice, extract	6.0	---
19285	Straw and other fibrous vegetable substances, processed, n.e.s.	5.0	Mexico
19310	Tonka beans ²	9.7	---
30404	Abaca fibers, processed but not spun	4.0	Philippines
30410	Flax, raw ²	¹ 0.5	---
30412	Flax waste and advanced waste	0.1	---
30414	Flax, processed, not carded and not hackled	¹ 0.4	---
30420	Hemp, raw, waste, and advanced waste ²	0.7	---
30422	Hemp, processed, not carded and not hackled	¹ 1.0	---
30440	Kapok fibers, processed	4.0	---
30444	Ramie, processed but not spun	4.0	Brazil
30448	Sisal and henequen, processed but not spun	8.0	Haiti
30458	Other vegetable fibers, processed but not spun, n.e.s.	4.0	---
30642	Camel hair, in grease, or washed, sorted	5.7	---
30652	Alpaca llama and vicuna hair, greasy or washed, sorted	0.7	Peru
30653	Alpaca llama and vicuna hair, scoured	0.7	Peru
30660	Cashmere goat hair, on the skin	¹ 1.0	---
30661	Cashmere goat hair, greasy or washed, not sorted	1.2	---

See footnotes at end of table.

TSUS	Description	MFN rate (1977 AVE in percent)	Countries excluded from preference by competitive need limitations
30670	Angora goat hair, on the skin	3.3	— — —
30671	Angora goat hair, greasy or washed, not sorted	3.2	Mexico
30672	Angora goat hair, greasy or washed, sorted	¹ 3.0	— — —
30680	Angora rabbit hair, on the skin	1.5	— — —
30681	Angora rabbit hair, greasy or washed, not sorted	¹ 21.9	— — —
30682	Angora rabbit hair, greasy or washed, sorted	¹ 4.6	— — —
30702	Burr and card waste, not advanced	6.6	— — —
30806	Raw silk and silk processed but not into yarns, not in skeins	7.0	— — —
30810	Silk noils, containing over 50 percent by weight of fibers over 2 inches in length	7.0	— — —
30816	Silk roving, not bleached and not colored	8.5	— — —
30818	Silk roving, bleached or colored	10.0	— — —
30820	Other silk waste and fibers, processed, not spun	7.0	— — —
40880	Vanillin	9.8	— — —
43510	Aloes, jalap, manna, aconite, ipecac, digitalis, etc., advanced	1.5	— — —
43749	Enzymes and ferments, n.s.p.f.	5.0	— — —
43758	Hormones, natural, not artificially mixed	2.0	— — —
43784	Vitamins, not artificially mixed, natural	2.0	— — —
43930	Natural drugs, advanced	1.5	— — —
45010	Flavoring extracts, essences, etc., no alcohol, in ampoules, capsules, tablets, or similar forms	6.0	— — —
45020	Flavoring extracts, essences, etc., no alcohol, not in ampoules, capsules, tablets or similar forms	6.0	— — —
45224	Eucalyptus oil ²	3.5	— — —
45248	Orris oil ²	3.0	— — —
45254	Peppermint oil derived from mentha piperita	12.5	— — —
45258	Pine needle oil	2.0	— — —
45280	Distilled or essential oils, n.e.s.	3.0	— — —

See footnotes at end of table.

TSUS	Description	MFN rate (1977 AVE in percent)	Countries excluded from preference by competitive need limitations
45502	Agar agar	7.5	---
45506	Isinglass ²	8.5	---
45516	Gelatin, edible, under 40 cents per pound	6.2	---
45518	Gelatin, edible, valued at 40 cents or more but not over 80 cents per pound	6.8	---
45520	Edible gelatin, valued over 80 cents per pound	7.6	---
45522	Photographic gelatin valued not over 80 cents per pound	7.1	---
45524	Gelatin, photographic, valued over 80 cents per pound	6.8	---
45530	Vegetable glue valued under 40 cents per pound	7.7	---
45532	Vegetable glue valued 40 cents or more per pound	7.8	---
45534	Casein glue	7.5	---
45544	Glue size, valued under 40 cents per pound	4.5	---
45546	Glue size, valued 40 cents or more per pound	8.7	---
46010	Ambergris, containing not over 10 percent alcohol	4.0	---
46015	Anethol, containing not over 10 percent alcohol	12.0	---
46025	Citral, containing not over 10 percent alcohol	12.0	---
46030	Civet, containing not over 10 percent alcohol	8.0	---
46035	Geraniol, containing not over 10 percent alcohol	7.5	Taiwan
46045	Hydroxy citronellal, containing not over 10 percent alcohol	7.5	---
46050	Ionone, containing not over 10 percent alcohol	12.0	---
46055	Linalyl acetate, containing not over 10 percent alcohol	18.0	---
46060	Musk, grained or in pods, containing not over 10 percent alcohol	10.0	---
46070	Safrol, containing not over 10 percent alcohol	15.0	Brazil

See footnotes at end of table.

TSUS	Description	MFN rate (1977 AVE in percent)	Countries excluded from preference by competitive need limitations
46075	Terpineol, containing not over 10 percent alcohol	12.0	---
46080	Other aromatic or odiferous substances, n.s.p.f., not mixed	12.0	---
46085	Aromatic or odiferous substances, artificially mixed	6.7	---
46090	Aromatic or odiferous substances, over 10 percent alcohol	7.7	---
46505	Fatty-acid esters, ethers, etc., derived from coconut	9.6	---
46510	Fatty-acid ethers and esters from polyhydric alcohols, n.s.p.f.	10.0	---
46515	Fatty-acid amides, amines, etc., derived from coconut palm, etc.	9.6	---
46520	Fatty-acid amides, amines, quaternary ammonium salts, n.s.p.f.	9.5	---
46525	Sodium and potassium salts, derived from coconut, palm, etc.	5.0	---
46530	Sodium and potassium salts of fats and fatty acids, n.s.p.f.	6.5	---
46535	Fatty acids, sulfonated from coconut, palm oil, etc.	5.0	---
46540	Fatty acids and salts, sulfonated or sulfated, n.s.p.f.	6.6	---
46545	Fatty alcohols, sulfated from coconut, palm oils, etc.	5.0	---
46550	Fatty alcohols and salts sulfonated or sulfated, n.s.p.f.	6.4	---
46555	Fatty acids, esters, etc., from coconut, palm kernel, palm oil	5.0	---
46560	Fatty acids, esters, ethers, amides, etc., sulfonated, etc., n.s.p.f.	6.2	---
46565	Coconut, palm kernel, and palm oils, sulfonated or sulfated	7.0	---
46570	Tallow, sulfonated	8.1	Argentina
46575	Wool grease, sulfonated	7.9	---
46580	Animal fats, oils, or greases, sulfonated or sulfated, n.s.p.f.	8.8	---
46585	Vegetable fats, oils, and greases, sulfonated, etc., n.s.p.f.	7.0	---

TSUS	Description	MFN rate (1977 AVE in percent)	Countries excluded from preference by competitive need limitations
49005	Oils, fats, and greases, halogenated, nitrated, etc.	16.0	---
49010	Oleic acid	9.4	---
49024	Fatty acids from coconut, palm kernel, palm oil	5.0	---
49030	Lithium stearate	5.7	Taiwan
49032	Fatty salts of animal origin, n.s.p.f.	6.1	---
49044	Fatty salts derived from linseed oil, n.s.p.f.	¹ 23.2	---
49046	Fatty salts from hempseed, kapok, rapeseed, sesame, etc.	6.0	---
49048	Salts from coconut palm kernel or palm oil	5.0	---
49050	Fatty salts of vegetable origin, n.s.p.f.	5.0	---
49316	Mixtures, chief value casein	2.2	---
49382	Tall oil	5.0	---
49404	Beewax, bleached	7.5	---
72615	Rosin, for violin bows	6.0	---
74825	Cut natural flowers, dried, bleached, colored, etc.	5.0	---
74832	Grains, grasses, lichens, mosses, and other natural plants suitable for bouquets, wreaths, or other	11.0	---
74834	Ornamental articles of dried or bleached natural plants	5.0	---
74836	Ornamental articles of colored, etc., natural plants	12.5	---

Definitions of terminology: AVE—ad valorem equivalent. MFN—most favored nation. NES—not elsewhere specified.

NSPF—not specifically provided for. TSUS—Tariff Schedules of the United States.

¹ AVE based on 1976 imports.

² Not produced in the United States at the time the Trade Act was enacted, January 3, 1975, and therefore the 50 percent competitive-need requirement does not apply.

³ Added Mar. 1, 1978, pursuant to fourth TPSC review.

⁴ Formerly included in 14786.

⁵ Formerly included in 14815.

⁶ Imports are subject to an import fee, which is not waived for GSP beneficiaries.

List of Developing Countries and Territories Designated As Eligible for Preferential Duty-Free Treatment Under the General System of Preferences

Independent Countries

Afghanistan	Guinea	Papua New Guinea
Angola	Guinea Bissau	Paraguay
Argentina	Guyana	Peru
Bahamas	Haiti	Philippines
Bahrain	Honduras	Portugal
Bangladesh	India	Romania
Barbados	Israel	Rwanda
Benin (formerly Dahomey)	Ivory Coast	Soa Tome and Principe
Bhutan	Jamaica	Senegal
Bolivia	Jordan	Sierra Leone
Botswana	Kenya	Singapore
Brazil	Korea, Republic of	Somalia
Burma	Lebanon	Sri Lanka
Burundi	Lesotho	Sudan
Cameroon	Liberia	Surinam
Cape Verde	Malagasy Republic	Swaziland
Central African Republic	Malawi	Syria
Chad	Malaysia	Taiwan
Chile	Maldives Islands	Tanzania
Colombia	Mali	Thailand
Congo (Brazzaville)	Malta	Togo
Costa Rica	Mauritania	Tonga
Cyprus	Mauritius	Trinidad and Tobago
Dominican Republic	Mexico	Tunisia
Egypt	Morocco	Turkey
El Salvador	Mozambique	Upper Volta
Equatorial Guinea	Nauru	Uruguay
Ethiopia	Nepal	Western Samoa
Fiji	Nicaragua	Yemen Arab Republic
Gambia	Niger	Yugoslavia
Ghana	Oman	Zaire
Grenada	Pakistan	Zambia
Guatemala	Panama	

Nonindependent Countries and Territories

Afars and Issas, French Territory of the	Falkland Island (Malvinas) and Dependencies	Pitcairn Island
Antigua	French Polynesia	Portuguese Timor
Belize	Gibraltar	Saint Christopher-Nevis-Anguilla
Bermuda	Gilbert Islands	Saint Helena
British Indian Ocean Territory	Heard Island and McDonald Islands	Saint Lucia
British Solomon Islands	Hong Kong	Saint Vincent
Brunei	Macao	Seychelles
Cayman Islands	Montserrat	Spanish Sahara
Christmas Island (Australia)	Netherlands Antilles	Tokelau Islands
Cocos (Keeling) Islands	New Caledonia	Trust Territory of the Pacific Islands
Comora Islands	New Hebrides Condominium	Turks and Caicos Islands
Cook Islands	Nive	Tuvalu (formerly Ellice Islands)
Dominica	Norfolk Island	Virgin Islands, British
		Wallis and Futuna Islands

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